



Docket:	:	A.15-07-015
Exhibit Number	:	ORA - _____
Commissioner	:	Catherine Sandoval
Administrative Law Judge	:	Jeanne McKinney
ORA Witnesses	:	Patricia Esule Herbert Merida





OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

REPORT
ON OPERATING EXPENSES FOR DISTRICTS AND
CUSTOMER SUPPORT SERVICES

California Water Service Company
Test Year 2017 General Rate Case
A.15-07-015

San Francisco, California
March 2016

MEMORANDUM

This Report on Operating Expenses for California Water Service Company GRC A.15-07-015 is prepared by Patricia Esule and Herbert Merida of the *Office of Ratepayer Advocates (ORA)* - *Water Branch*, and under the general supervision of Program Manager Danilo Sanchez, and Program & Project Supervisors Lisa Bilir and Ting-Pong Yuen. The witnesses' Statements of Qualifications are in Chapter 7 of ORA's Company-Wide Report on Results of Operations. Kerriann Sheppard and Christa Salo serve as ORA legal counsels.

Chapter	Subject Area	ORA Witness
1	Executive Summary	Patricia Esule & Herbert Merida
2	Operations and Maintenance Expenses	Patricia Esule
3	Administrative and General Expenses	Herbert Merida
4	Conservation	Herbert Merida
5	Special Request #18 Temporary Metered Service Tariff	Patricia Esule
6	Special Request #21 – Rule 15 (Main Extensions) Clarifications	Patricia Esule

Report on Operating Expenses

Table of Contents

Chapter 1: EXECUTIVE SUMMARY	1
A. INTRODUCTION	1
B. KEY RECOMMENDATIONS	2
C. ESCALATION METHODOLOGY & FACTORS	2
1. General forecasting methodology	2
2. Update of escalation factors	3
3. Correction of escalation errors in CWS's expense workpapers	3
4. Updated O&M data in CWS's workpapers for Visalia District	4
Chapter 2: OPERATIONS AND MAINTENANCE EXPENSES	5
A. INTRODUCTION	5
B. SUMMARY OF RECOMMENDATIONS	5
C. DISCUSSION	5
1. Purchased Water	5
2. Pump Tax	9
3. Purchased Power	10
4. Chemicals	10
5. Postage	24
6. Transportation (Operation)	28
7. Uncollectible Rate	30
8. Purchased Services	32
D. CONCLUSION	61
TABLES: OPERATION & MAINTENANCE EXPENSES COMPARISON	63
Chapter 3: ADMINISTRATIVE AND GENERAL EXPENSES	77

A.	INTRODUCTION	77
B.	SUMMARY OF RECOMMENDATIONS	77
C.	Districts A&G expenses.....	79
1.	Payroll (A&G)	79
2.	Benefits	79
3.	Transportation (A&G)	79
4.	Rents	81
5.	Administrative Charges Transferred.....	82
6.	Workers' Compensation	82
7.	Non-Specifics.....	82
8.	Amortization of Limited Term Investment.....	89
9.	Dues and Donations Adjustments.....	89
D.	CSS A&G expenses	90
1.	A&G Salaries	90
2.	Injuries and Damages.....	90
3.	Pensions and Benefits	91
4.	Regulatory Commission Expense	91
5.	Outside Services (for CSS)	92
6.	Miscellaneous General Expenses.....	93
E.	CONCLUSION.....	93
	TABLES: ADMINISTRATIVE & GENERAL EXPENSE COMPARISON.....	94
	Chapter 4: CONSERVATION.....	104
A.	INTRODUCTION	104
B.	SUMMARY OF RECOMMENDATIONS	104
C.	BACKGROUND	106
1.	California Drought.....	106
2.	Water Conservation Act of 2009 (SB X7-7).....	107
3.	CWS Program Descriptions.....	109
4.	Staffing Request.....	111

D.	DISCUSSION	111
1.	ORA Analysis of CWS Programs and Budgets	111
2.	District by District Analysis.....	123
E.	CONCLUSION.....	170
CHAPTER 5: SPECIAL REQUEST #18 TEMPORARY METERED SERVICE TARIFF		172
A.	INTRODUCTION	172
B.	SUMMARY OF RECOMMENDATIONS	172
C.	DISCUSSION	172
D.	CONCLUSION.....	173
CHAPTER 6: SPECIAL REQUEST #21 Rule 15 (MAIN EXTENSIONS) CLARIFICATIONS		174
A.	INTRODUCTION	174
B.	SUMMARY OF RECOMMENDATIONS	174
C.	DISCUSSION	174
D.	CONCLUSION.....	175

Chapter 1: EXECUTIVE SUMMARY

A. INTRODUCTION

This report presents Operation & Maintenance (O&M) and Administrative & General (A&G) expenses in General Rate Case Application (A.) 15-07-015 filed by California Water Service Company (Cal Water or CWS). These O&M and A&G expenses are referred herein as “operating expenses” and exclude labor and benefits, income taxes and taxes other than income. Recommendations regarding labor and benefits expenses, and taxes are presented in ORA’s Report on Payroll & Benefits, and Company-Wide Report, respectively. This report also incorporates recommendations from ORA’s testimony on plant.

In this chapter, ORA presents key recommendations from this report and describes its general approaches and adjustments in forecasting Test Year 2017 operating expenses.

In developing its recommendations, ORA reviewed CWS General Report including Customer Support Services on the Results of Operations, Direct Testimony, and the district Results of Operation for each of the districts. Additionally, ORA reviewed CWS’s response to discovery requests.

Chapter 2 of this report covers O&M expenses, Chapter 3 covers A&G expenses and Chapter 4 covers Conservation Expenses. Adjustments presented herein are reflected in ORA’s Results of Operations Tables 3-1 and 4-1 for each respective ratemaking area (see ORA’s Company-Wide Report on the Results of Operations). This report also addresses

CWS’s Special Request # 18– to establish a Temporary Metered Service Tariff (Chapter 5), and Special Request #21 – Rule 15 (Main Extensions) Clarifications (Chapter 6).¹

B. KEY RECOMMENDATIONS

ORA presents its recommendations on district operating expenses throughout this report. Below are some key recommendations:

- 1) That the Commission denies further funding for CWS’s pilot program for Enhanced Maintenance² in Bear Gulch, Bayshore, Los Altos, and Palos Verdes districts.
- 2) That the Commission denies CWS’s request to recover past design costs for the unbuilt South Bakersfield treatment plant.

C. ESCALATION METHODOLOGY & FACTORS

This section describes CWS’s and ORA’s general approaches and differences in developing the districts’ operating expense forecasts. To bring historical costs forward to 2014 dollars (normalizing) and then to Test Year 2017 (escalating), CWS and ORA used Labor and Non-Labor inflation factors published May 29, 2015 by ORA Energy Cost of Service & Natural Gas Branch (“ECOS”).

1. General forecasting methodology

CWS describes its methodology for forecasting Operation, Maintenance and Other Administrative Expenses in its General Report as a simple inflation-adjusted five-year

¹ CWS’s testimony by Darin Duncan, pp.187-189 and 199-216, respectively.

² A pilot program for Enhanced Maintenance was established in D.14-08-011 as a settlement between ORA and CWS.

1 average, with the exception of off-settable expenses. The company further indicates that
2 it used a *“method that differs from the inflation-adjusted five-year average only if there*
3 *has been a specific, demonstrated change in operations, or if known cost changes have*
4 *occurred in the time series.”* CWS states that any deviation from the five-year inflation
5 adjusted average methodology for other operating expenses is described and justified in
6 the district reports.

7 CWS’s General Report indicates that A&G expenses include legal expenses, insurance,
8 expense of employee sick leave, and general corporate expenses. These expenses,
9 including Payroll, Transportation, Rent, Unregulated Revenue Credit, comprise direct
10 expenses incurred within the district and CWS’s general operations allocation.

11 ORA similarly used a simple inflation-adjusted five-year average of historical data in
12 forecasting for the Test Year. To normalize the data for forecasting purposes, expenses
13 showing unusual spikes or increases in the historical data were closely examined to
14 identify and remove expenditures not likely to reoccur in this rate cycle.

15 **2. Update of escalation factors**

16 ORA does not object to CWS’s application of the escalation (inflation) factors from the
17 ORA Energy Cost of Service & Natural Gas and Water Branches’ May 2015 Memoranda
18 (ECOS Memos) for the purposes of normalizing and escalating operating expenses
19 discussed herein. To facilitate an apple-to-apple comparison between CWS’s and ORA’s
20 forecasts, ORA uses the factors from the same May 2015 ECOS Memos. ORA
21 recommends that escalation factors from the latest available published ECOS Memos be
22 used to update operating expense forecasts in the Comparison Exhibit, and to the extent
23 practical in the final decision adopting test year revenue requirements in this GRC.

24 **3. Correction of escalation errors in CWS’s expense workpapers**

25 CWS and ORA used the same May 2015 ECOS Memos citing the published inflation
26 factors. Differences in some estimates are due to CWS’s erroneous application of the
27 escalation factors. ORA found several instances where CWS made errors or was
28 inconsistent in applying the escalation factors. In early October 2015, ORA alerted CWS

1 to errors found and provided CWS with the opportunity to submit corrected workpapers.
2 ORA received corrected workpapers from CWS on October 13, 2015. Due to time
3 constraints, ORA was unable to confirm that all errors and inconsistencies were corrected
4 by CWS. For example, for Dixon's Chemical Expense, CWS linked historical data to
5 incorrect annual inflation factors when bringing historical costs to 2014 dollars. In
6 Livermore, CWS added annual inflation to a specific project in the Test Year (tank
7 painting expense) when forecasting Contracted Maintenance expenses. In Dominguez,
8 CWS applied incorrect annual inflation factors to historical expense data when bringing
9 costs to 2014 dollars. These types of errors result in incorrect forecasts and impact the
10 rates to the ratepayer.

11 **4. Updated O&M data in CWS's workpapers for Visalia District**

12 During ORA's review of the October 2015 corrected workpapers, ORA found that CWS
13 updated its recorded 2014 expenditures for many of the O&M expenses in the Visalia
14 district. Because CWS uses a five-year historical average to forecast for the test year, the
15 updated 2014 data changed the amounts of CWS's request for 2017.

16 CWS explained to ORA that the recorded 2014 amounts included in the July filing were
17 from a different period and did not reflect the 2014 year-to-date dollars reported in the
18 company's Annual Report for 2014.³ CWS indicates that its request for O&M expenses
19 in Visalia should be those reflected in the October 2015 update. ORA used the most
20 recent data (October 2015 update) to forecast its recommended level of expenses. At the
21 end of this report, ORA provides two tables comparing ORA's recommendations with
22 CWS's request as filed in A.15-07-015 and as updated in October 2015.

³ CWS response to ORA data request PXS 025.

1 **Chapter 2: OPERATIONS AND MAINTENANCE EXPENSES**

2 **A. INTRODUCTION**

3 This chapter presents ORA's O&M expense analysis and recommendations for all of
4 CWS districts. ORA's discussions presented herein focus on adjustments made to
5 CWS's estimates. The resulting adjusted estimates are reflected in ORA's Results of
6 Operations (RO) tables included in its Company-Wide Report on Results of Operation.

7 **B. SUMMARY OF RECOMMENDATIONS**

8 Tables at the end of this chapter present a summary of Test Year 2017 O&M expense
9 estimates for each district and for the Customer Support Services (CSS) or General
10 Office (GO). ORA's forecasts reflect adjustments discussed herein.

11 **C. DISCUSSION**

12 ORA's review of O&M accounts included the methodologies used, inputs including
13 rates, historical data, inflation and the inclusion of any new expenses. It is the company's
14 responsibility to provide support and justification for its request. ORA reviewed and
15 analyzed supplemental information obtained through its data requests during discovery.

16 Below is ORA's discussion on the numerous O&M expense accounts. ORA describes
17 the methodologies used and the areas where ORA's estimates differ from CWS's
18 proposed estimates. Tables at the end of this report provide comparisons of CWS's
19 proposed and ORA's recommended expenses.

20 **1. Purchased Water**

21 ORA reviewed supporting documentation provided by CWS including recent invoices,
22 and notification of changes to rates by water purveyors for the coming rate cycle. ORA
23 also verified CWS's calculations for water supply and total purchased water costs for
24 accuracy.

Purchased Water Expense is calculated by multiplying the rate per acre-foot (AF), as charged by the water purveyor, by the required purchased water supply, plus any service charges. Generally, ORA accepts CWS's methodology and the rates used to calculate Purchased Water Expense. Any differences in ORA and CWS estimates are due to differences in the ORA sales forecasts.

The discussion below also reports CWS's proposed water mix (percentages of purchased water and groundwater). ORA's water mix may differ from CWS's due to the differing sales forecasts and differences in water supply projects from ORA's recommended capital budgets. *(See ORA's Report on Sales and Rate Design and Reports on Plant)*

Table 2-1 below shows the districts where CWS purchases water and the respective water purveyor. Districts not listed have 100% groundwater supply.

Table 2-1: CWS Districts and Water Purveyors

District	Purveyor
Antelope Valley	Antelope Valley-East Kern Water Agency
Bakersfield	City of Bakersfield; Kern County Water Agency
Bayshore	San Francisco Public Utilities Commission
Bear Gulch	San Francisco Public Utilities Commission
Dominguez	West Basin Municipal Water District
East Los Angeles	Central Basin Municipal Water District
Hermosa-Redondo	West Basin Municipal Water District
Kern Valley	City of Bakersfield
Livermore	Alameda County Flood Control and Water Conservation District (Zone 7 Water Agency)
Los Altos	Santa Clara Valley Water District; San Jose Water Company
Oroville	Butte County and PG&E
Palos Verdes	West Basin Municipal Water District
Redwood	Yolo County Flood Control and Water Conservation District; Sweetwater Springs Water District
Stockton	Stockton East Water District
Westlake	Calleguas Municipal Water District; Las Virgenes Municipal Water District

1 *a. Antelope Valley*

2 CWS proposes to purchase about 16% of its supply from Antelope Valley-East Kern
3 Water Agency (AVEK). The remaining 84% of total water supply is groundwater
4 pumped from company-owned wells.

5 *b. Bakersfield*

6 CWS proposes to purchase from the City of Bakersfield about 27% of its total supply as
7 surface water treated at the Northeast and Northwest water treatment plants.⁴ Another
8 27% of the total supply is to be purchased from Kern County Water Agency (KCWA).
9 The remaining 46% of its required water supply is groundwater pumped from company-
10 owned wells.

11 *c. Bayshore*

12 CWS proposes to purchase 98% of its supply from the San Francisco Public Utilities
13 Commission (SFPUC), formally known as San Francisco Water Department (SFWD)
14 through the Bay Area Water Supply and Conservation Agency (BAWSCA). The
15 remaining 2% of its required water supply is to be pumped from company-owned wells.

16 *d. Bear Gulch*

17 In Bear Gulch, CWS purchases 95% of its total supply from SFPUC and produces 5%
18 surface water treated at CWS's water treatment plant.

⁴ According to CWS workpaper WP4B4, 15,500 AF is treated and produced at the Northeast Plant and 4,500 AF is treated and produced at the Northwest Plant.

1 *e. Dominguez*

2 CWS proposes to produce 31% of its total water supply from company-owned wells and
3 to purchase the remaining 69% from the West Basin Municipal Water District
4 (WBMWD), of which 24% is recycled water.

5 *f. East Los Angeles*

6 CWS proposes to purchase 37% of its supply from Central Basin Municipal Water
7 District (CBMWD). The remaining 63% would be pumped from company-owned wells.
8 CWS estimates a decrease in its purchased water due to bringing a new well online in
9 2014 at Station 63.

10 *g. Hermosa-Redondo*

11 CWS proposes to produce 17% from company-owned wells and purchase the remaining
12 83% of its supply from WBMWD. A small amount of the purchased water,
13 approximately 1%, is recycled water.

14 *h. Kern River Valley*

15 CWS proposes to produce about 69% of its supply from company-owned wells and
16 purchase the remaining 31% (treated surface water) from City of Bakersfield.

17 *i. Livermore*

18 CWS proposes to purchase about 73% of its supply from the Alameda County Flood
19 Control and Water Conservation District. The remaining 27% will be groundwater
20 pumped from company-owned wells and one leased well.

21 *j. Los Altos*

22 CWS proposes to purchase 82% from Santa Clara Valley Water District (SCVWD) and
23 San Jose Water Company (SJWC). The remaining 18% will be groundwater pumped
24 from company-owned wells.

1 *k. Oroville*

2 CWS proposes to purchase 72% of its supply from PG&E and Butte County's State
3 Water Project. The remaining 28% will be groundwater pumped from company-owned
4 wells.

5 *l. Palos Verdes*

6 CWS purchases 100% of its supply from the WBMWD.

7 *m. Redwood Valley*

8 The Redwood Valley District is comprised of three water systems, Lucerne, Coast
9 Springs, and Unified. In Lucerne, CWS proposes to purchase 100% of its supply from
10 Yolo County Flood Control & Water Conservation District. In Coast Springs, 100% of
11 the water supply is to be purchased from Sweetwater Springs Water District. The
12 Unified system expects to supply 95% via groundwater pumped from company-owned
13 wells and 5% via purchased water from Sweetwater Springs Water District.

14 *n. Stockton*

15 CWS proposes to increase its groundwater supply to 78% in the Test Year and purchase
16 22% surface water from the Stockton East Water District.

17 *o. Westlake*

18 100% of the water supply in Westlake is purchased from the Calleguas Municipal Water
19 District and the Las Virgenes Municipal Water District.

20 **2. Pump Tax**

21 The Pump Tax Expense or Water Replenishment Fee is based on the estimated amount of
22 groundwater pumped multiplied by the current tax or assessment rate. ORA reviewed
23 CWS's calculations as well as supporting documentation for the tax and assessment rates
24 used. ORA agrees with CWS's methodology and rates. Any differences between CWS's
25 proposed expense and ORA's estimate are due to differences in the sales forecasts, if it
26 resulted in a difference in the amount of groundwater needed to meet supply
27 requirements. Not all districts are assessed a Pump Tax or Water Replenishment Fee.

For those that are assessed such a tax or fee, ORA's tables at the end of this chapter show ORA's recommended pump tax expenses.

3. Purchased Power

Purchased Power Expense captures the costs for pumping, boosting, and distributing water throughout the water systems. CWS's estimate for Purchased Power quantities for each district is based on a composite of the most recent 2014 rates charged by its power service provider, multiplied by the estimated kWh/KCCF (*kilowatt-hours used per 100,000 cubic feet of water*).

ORA reviewed the data and methodology used to calculate the composite rate and estimated purchase power quantities. ORA accepts CWS's methodology for all districts with one exception. In the Dixon District, CWS shows a request for \$124,200 in Test Year 2017. ORA found an error in CWS's calculation of Purchased Power on its workpaper (WP5B13). CWS inadvertently used the recorded water production for years 2010 – 2013 instead of the estimated water production for this rate cycle (2017 - 2019) to forecast Purchased Power expense. Based on CWS's proposed sales forecast for Test Year 2017 and ORA's correction to the calculation, CWS's Purchased Power expense estimate should have been \$126,100 for Test Year 2017. ORA's estimate for Purchased Power for Test Year 2017 is based on the corrected calculation and ORA's estimated sales forecast as determined by ORA's sales witness.

Any other differences between CWS's and ORA's estimates for Purchased Power Expense are due to differences in the sales forecasts. A comparison of CWS's estimate for Purchased Power Expense and ORA recommendation is found in the tables at the end of this chapter.

4. Chemicals

Chemical Expense captures the chemical costs for treating groundwater, surface water, and raw purchased water. CWS's estimate for Chemical Expense generally uses historical data for chemical costs, ranging from the last recorded year (2014) to historical averages of two- to five-years. In addition to historical data, CWS forecasted increased

1 chemical costs in the Test Year due to specific water quality issues or plans for increased
2 treatment in specific districts.

3 ORA agreed with the methodology used for the following districts: Antelope Valley,
4 Bakersfield, Bear Gulch, Hermosa-Redondo, Kern River Valley, King City, Marysville,
5 Oroville, Palos Verdes, Redwood, Selma, Visalia, and Willows.⁵ Districts for which
6 ORA recommends a different methodology, or makes corrections to CWS's forecasts are
7 discussed below. Again, differences in the parties' sales forecasts also result in differing
8 estimated Chemical Expense. ORA estimates shown in the following discussion are
9 based on ORA's proposed sales forecast.

10 *a. Bakersfield*

11 In Bakersfield, CWS requests \$333,600 for Chemical Expense for Test Year 2017. ORA
12 recommends \$337,100, a difference of \$3,400 (based on ORA's Sales Forecast). CWS's
13 unit cost for Chemicals is based on the most recent two years (2013 and 2014). ORA
14 accepts CWS's unit cost. The difference in the total expense estimate is due to ORA's
15 estimated sales forecast.

16 *b. Bayshore*

17 In Bayshore, CWS requests \$216,000 for Chemical Expense in Test Year 2017. ORA
18 recommends \$82,000 (based on ORA's estimated Sales Forecast), a difference of
19 \$134,000. CWS deviated from using a five-year inflation adjusted average due to an
20 increase in Chemical Expense experienced in years 2013 and 2014. **Table 2-2** shows the
21 amounts CWS recorded in Chemical Expense during the period 2010 – 2014.

⁵ Any differences in the dollar amounts for these districts are solely due to differences in the Sales Forecast.

Table 2-2 Bayshore Chemical Expense Historical

2010	2011	2012	2013	2014
\$27,800	\$50,600	\$40,500	\$113,000	\$112,100

While there is an increase in expense in the most recent two years, compared to the prior three years, the level of expense tends to increase and decrease regularly; however, CWS seeks an increase of approximately \$100,000 over 2014 level. ORA requested supporting documentation for CWS's estimate of \$217,000 in Test Year 2017. CWS provided a cost comparison for two alternative water treatment projects requiring increased chemical expenditure.⁶ The comparison lists the operational costs of \$242,000 for Alternative A and \$217,000 for Alternative B. Since CWS proposes to increase chemical expense to \$217,000 in the Test Year, ORA must assume that Alternative B was selected by CWS for construction.

ORA's review of CWS's proposed capital projects for Bayshore did not find any new water treatment project to be constructed in this rate cycle matching either Alternative A or Alternative B. CWS indicates that a proposed water treatment plant for Bayshore was authorized in the last GRC.⁷ Of the projects considered during that proceeding, CWS selected Alternative B for construction. However, at this time, the project design phase is only 90% complete. Construction has been postponed to begin in 2017. It is uncertain that that this project, authorized for 2014, will be completed and operational in 2017. Therefore, ORA excludes the estimated chemical costs that may result from completion of this water treatment plant. ORA recommend \$82,000 for Chemical Expense (based on

⁶ CWS Response to data request PXS 011, Attachment 3.c.

⁷ CWS response to ORA data request PXS 011, Q. 4.

ORA's Sales Forecast data). ORA's estimate is based on an inflation-adjusted five-year average of historical data. ORA's estimate is more appropriate since it includes all of the most recent history of fluctuating costs and excludes costs associated with a project that may not begin construction until 2017.

c. Chico

In the Chico District, CWS estimates \$174,100 for Chemical Expense. ORA recommends \$142,100, a difference of \$32,000. CWS deviated from the five-year (2010-2014) historical average and claims that its estimate is based on the unit cost for chemicals determined in 2014, the last recorded year. ORA reviewed the historical data for 2010-2014 and questioned the unusual pattern shown for the recorded costs. **Table 2-3** shows the recorded chemical expense presented by CWS in its filing.

Table 2-3: Chico Recorded Chemical Expense⁸

Year	Recorded (\$ in 000's)	Inflated to 2014 Dollars	Production in KCCF	Cost/KCCF
2010	\$ 112.6	\$ 121.8	11329.0	\$ 0.010747
2011	\$ 146.3	\$ 151.9	11250.8	\$ 0.013501
2012	\$ 139.1	\$ 142.3	11742.7	\$ 0.012115
2013	\$ 2.8	\$ 2.9	12016.5	\$ 0.000237
2014	\$ 86.0	\$ 86.0	10255.8	\$ 0.008384

CWS's workpaper (WP5B2) indicates that the 2017 estimate was based on the last recorded information (2014). However, a review of the last recorded year shows that the unit cost/KCCF for 2014 is \$0.008384. **Table 2-4** below shows that only 2015 and 2016

⁸ The data shown is from CWS workpaper WP5B2, Chico District Results of Operation.

are based on the last recorded year (2014) plus inflation. CWS used a hard-coded number \$174,100 as its estimate for 2017. CWS's 2017 unit cost of \$0.015792 per KCCF (\$174,100 divided by 11,024.3 KCCF) is almost double the 2014 recorded unit cost of \$0.008384 shown in Table 2-3 above. CWS did not base its 2017 estimate on the 2014 recorded cost as claimed, and did not explain why it used the hard-coded \$174,100 or how it arrived at a unit cost of \$0.015792 for the 2017 Test Year (see CWS workpaper depicted in [Table 2-4](#) highlighted below).

Table 2-4: Chico Proposed Chemical Expense (CWS Workpaper WP5B2)

Year	Estimate (\$ in 000's)	Estimated Production	Average Unit Cost
2015	\$ 91.60	10821.6	\$ 0.008461
2016	\$ 94.70	10922.3	\$ 0.008671
2017	\$ 174.10	11024.3	\$ 0.015792
2018	\$ 180.80	11124.9	\$ 0.016250

In order to understand CWS's methodology and determine a more accurate estimate, ORA requested an explanation of the unusual pattern in the recorded costs. In response to ORA data request, CWS explained that it had recorded chemical expenses incorrectly to the Transmission & Distribution (T&D) Account in years 2012, 2013 and 2014.⁹ The revised amount for 2012 was \$140,100. For 2013, CWS indicated that the corrections for 2013 should include \$127,500 that was inadvertently recorded in T&D, plus \$3,706 for a total of \$131,206. For 2014, CWS inadvertently recorded \$48,200 in T&D. ORA's correction to 2014 brings that total to \$134,200 (\$48,200 plus \$86,000). [Table 2-5](#) shows ORA's corrected Recorded Chemical Expense.

⁹ CWS response to ORA data request PXS 013.

Table 2-5: ORA's Corrected Historical Chemical Expense (in 2014 Dollars)

2010	2011	2012	2013	2014
\$121,800	\$151,900	\$142,300	\$133,200	\$134,200

ORA's recommendation of \$142,100 for the Test Year is based on the corrected historical data and is a better representation of expected costs in the Test Year. CWS failed to explain how it arrived at its estimate of \$174,100 and admitted that its data was incorrect.

d. Dixon

CWS's estimate for Dixon is \$12,900, based on an inflation-adjusted five-year (2010-2014) average. ORA recommends \$12,700, a difference of \$200. As indicated earlier in Section C. Escalation Methodology and Factors, item 3, ORA found that CWS incorrectly applied inflation factors. In its filing, CWS applied the wrong inflation factors to historical data. For example, CWS applied a 2009 inflation factor to 2010, 2010 inflation was applied to 2011, 2011 inflation was applied to 2012, and so on. ORA alerted CWS to the errors and was provided with updated workpapers in mid-October. CWS corrected its calculation and agreed with ORA's methodology.

e. Dominguez

In Dominguez, CWS estimates \$471,500 for Chemical Expense. ORA recommends \$484,700, an increase of \$13,200, based on ORA's sales forecast. ORA recommends a higher amount due to the correction of errors in CWS's workpapers. In its original filing, CWS made errors to its escalation of historical data to 2014 dollars similar to those discussed in the section for Dixon above. Additionally, amounts specific to Chemical

Expense were erroneously included in Contracted Maintenance Expense for years 2012, 2013 and 2014. CWS attempted to correct this error prior to filing its GRC by subtracting the erroneous chemical expense from the Contracted Maintenance Expense account, but neglected to add the additional chemical expenses to the correct Chemical Expense account. In its response to ORA inquiries regarding escalation errors, CWS provided ORA corrected workpapers in October 2015.¹⁰ Table 2-6 shows a representation of the original recorded Chemical Expense, the amounts erroneously recorded to Contracted Maintenance, and the corrected historical costs (amounts shown are escalated to 2014 dollars using the correct escalation factors).

Table 2-6: Historical Chemical Expense, with corrections

Year	CWS Original Chemical Expense	Transferred to/from Contracted Maintenance	Corrected Chemical Expense (2014 Dollars)
2010	\$192,700	-	\$185,900
2011	\$360,900	-	\$346,400
2012	\$238,400	\$266,080	\$507,000
2013	\$196,400	\$134,700	\$331,700
2014	\$221,800	\$6,540	\$224,900

ORA estimate is based on the inflation-adjusted five-year (*corrected*) historical average. ORA corrected CWS's Chemical Expense estimate (including correcting the escalation factors). ORA verified that CWS removed the erroneous charges from the Contracted Maintenance Expense account.

¹⁰ CWS October 2015, workpapers submitted to ORA included workpaper WP5B12 which included a notation that amounts for 2012, 2013 and 2014 were reclassified as Chemical Expense. Corresponding workpaper WP5B2 for Chemical Expense showed the addition of these reclassified Chemical Expenses to the correct account.

1 *f. East Los Angeles*

2 In East Los Angeles, CWS estimates \$303,200 while ORA forecasts \$140,800 for Test
3 Year 2017, a difference of \$162,400 (based on ORA's sales forecast). CWS's
4 methodology in East Los Angeles was based on the unit cost determined from the 2014
5 last recorded amount of \$70,900 plus an additional \$81,700 in Test Year 2017. CWS
6 provided no explanation for the additional \$81,700. In response to ORA data request,
7 CWS explained that the additional \$81,700 for carbon and filter media change costs was
8 included in its workpapers for 2014 and was erroneously carried over into calculations
9 for 2017.¹¹ ORA removed the extra \$81,700 and derived the unit cost for the 2014
10 recorded amount, then escalated it to 2017. ORA's estimate is more accurate since it
11 excludes the erroneous \$81,700.

12 *g. Kern River Valley*

13 In Kern River Valley, CWS estimates \$82,000 for Test Year 2017. ORA recommends
14 \$81,100, a difference of \$900. Both CWS and ORA use the five-year (2010-2014)
15 historical average unit cost, adjusted for inflation. The difference is due to ORA's
16 forecast for the amount of water requiring chemical treatment as determined by ORA's
17 sales witness.

18 *h. King City*

19 In King City, CWS estimates \$50,600 for Test Year 2017. ORA recommends \$50,100, a
20 difference of \$500. CWS used the most recent five-year average unit cost for chemicals,

¹¹ CWS response to ORA data request PXS 016, Q. 1.

adjusted for inflation. ORA used the same methodology but estimates a lower amount due to its sales forecast that results in slightly less supply requiring chemical treatment.

i. Livermore

CWS estimates \$101,000 for Chemical Expense in 2017 in its filing. ORA recommends \$94,900, a difference of \$6,100, based on ORA's sales forecast. CWS's estimate is based on the five-year average of total historical chemical cost escalated to 2017, instead of the five-year average unit cost for chemicals multiplied by the estimated water production requiring chemical treatment. Using the average total chemical cost rather than the average unit cost to forecast future chemical cost ignores the fluctuations that may occur in specific chemical prices; this results in a much higher forecast that is inconsistent with the historical unit cost experienced by CWS in Livermore.

In its filing, CWS provided the workpaper showing erroneous historical water production and an estimated water production of 1,316.0 KCCF for 2017. In October 2015, CWS provided ORA with updated and corrected workpapers showing corrected historical water production and a lower estimated water production of 1,224.2 KCCF for 2017. **Table 2-7** shows representations of CWS's original workpaper showing its methodology for calculating Chemical Expense and ORA's workpaper using updated and corrected data. The basis for CWS's estimate is the five-year average total cost of \$94,900, escalated to 2017 which produces a unit cost of \$0.2037. Table 2-8 shows the erroneous historical water production numbers, and the original estimated water production.

1

Table 2-7: CWS's Chemical Expense – Livermore District

Purchased Chemicals - Acct 7440 (DOLLARS IN THOUSANDS)						
		Recorded (in '000)	In 2014 Constant Dollars			
Liv					Production (in Kccf)	Cost/KCCF
	2010	\$186.1	\$201.3		396.4	0.507852
	2011	\$81.6	\$84.8		483.7	0.175230
	2012	\$51.0	\$52.2		1250.3	0.041741
	2013	\$49.6	\$50.4		1861.2	0.027075
	2014	\$85.6	\$85.6		417.4	0.205097
5-YEAR AVERAGE		90.8	94.9		Estimated Production (in KCCF)	Cost/KCCF
	2015	\$95.7			1316.0	0.19316
	2016	\$98.1			1316.0	0.19795
	2017	\$101.0			1316.0	0.20373
	2018	\$103.9			1316.0	0.29638

2

3

Table 2-8: ORA's Chemical Expense - Livermore District

Purchased Chemicals - Acct 7440					
(DOLLARS IN THOUSANDS)					
		Recorded (in '000)	In 2014 Constant Dollars		
Liv				Water Production (in Kccf)	Cost/KCCF
	2010	\$186.1	\$201.3	1349.5	0.149189
	2011	\$81.6	\$84.8	1301.0	0.065154
	2012	\$51.0	\$52.2	1415.7	0.036865
	2013	\$49.6	\$50.4	1161.9	0.043373
	2014	\$85.6	\$85.6	1228.8	0.069658
5-YEAR AVERAGE		\$90.8	\$94.9	Estimated Production (in KCCF)	Cost/KCCF
	2015	\$90.0		1224.2	0.0735182
	2016	\$92.2		1224.2	0.0753414
	2017	\$94.9		1224.2	0.0775414
	2018	\$97.7		1224.2	0.0797901

ORA's 2017 Chemical Expense estimate is based on the five-year average unit cost of \$0.0775 multiplied by ORA's water production estimate of 1,224.2 KCCF. ORA's estimate is more accurate as it is based on the more recent and correct data.

j. Los Altos

In Los Altos, CWS estimates \$96,300 for Test Year 2017. ORA recommends \$89,200, a difference of \$7,100. CWS uses a four-year historical average unit cost adjusted for inflation. No explanation was provided by CWS for why a four-year average was used. ORA used the five-year unit cost adjusted for inflation. Chemical costs have fluctuated up and down in the Los Altos district over the last five years. ORA's recommendation includes all of the data points and is a better representation of the costs that CWS is likely to incur.

1 *k. Marysville*

2 In Marysville, CWS estimates \$16,400 for Test Year 2017. ORA recommends \$15,900,
3 a difference of \$500. Both CWS and ORA used the five-year historical average unit cost
4 adjusted for inflation. ORA's estimate is lower due to the lower sales forecast estimated
5 by ORA's sales witness.

6 *l. Redwood Valley - Lucerne*

7 In Redwood Valley – Lucerne, CWS estimates \$35,400 for Test Year 2017. ORA
8 recommends \$36,600, a difference of \$1,200. Both CWS and ORA used the five-year
9 historical average unit cost adjusted for inflation. ORA's estimate is higher due to the
10 slightly higher sales forecast estimated by ORA's sales witness.

11 *m. Salinas*

12 CWS estimates \$260,200 for Test Year 2017. ORA recommends \$224,200, a difference
13 of \$36,100. CWS used the historical five-year (2010-2014) average unit cost adjusted for
14 inflation as shown in **Table 2-9** below. ORA used the average unit cost for the most
15 recent two years (2013 and 2014) adjusted for inflation. ORA rejected the use of the
16 five-year average in this district because of the high chemical expense occurring in 2010,
17 at \$256,400. When adjusted for inflation, the amount is \$277,400. **Table 2-9** also shows
18 that the 2010 recorded data reflects an increase in the unit cost for chemicals that has not
19 been repeated. This amount skews the forecast because it is much higher than the last
20 four recorded years' levels. CWS provided no information supporting an expected
21 increase in unit chemical costs equivalent to the 2010 unit cost. It should also be noted
22 that the 2010 amount was included in the forecast for the last general rate case which

resulted in an adopted Chemical Expense for 2014 of \$229,300; CWS's 2014 recorded expense is only \$187,600.¹² The adopted estimate exceeded recorded expense by \$41,900. ORA's forecast of \$224,200 is based on the last two recorded years (2013 and 2014) and is a more accurate forecast because it reflects more recent history and excludes the anomalous 2010 expense.

Table 2-9: Historical Chemical Expense - Salinas

Purchased Chemicals - Acct 7440					
SALINAS DISTRICT		Recorded (in '000)	In 2014 Constant Dollars	Water Production (in KCCF)	Cost/KCCF
	2010	256.4	277.4	7,379.3	0.037588
	2011	197.3	204.9	7,859.5	0.026065
	2012	230.2	235.5	8,030.3	0.029328
	2013	207.3	210.5	8,302.7	0.025353
	2014	187.6	187.6	7,588.9	0.024716

n. Selma

In Selma, CWS estimates \$18,500 for Test Year 2017. ORA recommends \$19,200, an increase of \$700. ORA and CWS use the same methodology, the five-year historical average adjusted for inflation. However, ORA recommend a slightly higher sales forecast and water production which impacts the estimated chemical expense for the Test Year.

¹² CWS workpaper WP5B2 Purchased Chemicals.

1 *o. Stockton*

2 In Stockton, CWS estimates \$53,600 for Test Year 2017. ORA recommends \$51,700, a
3 difference of \$1,900. ORA and CWS use the same methodology, the five-year historical
4 average adjusted for inflation. However, ORA recommend a slightly lower sales forecast
5 and water production which impacts the estimated chemical expense for the Test Year.

6 *p. Westlake*

7 In Westlake, CWS estimates \$1,100 for Test Year 2017. ORA recommends \$200, a
8 difference of \$900. CWS's estimate is based on \$1,000 for 2015 escalated to 2017
9 dollars for the Test Year. No explanation was given for this methodology. ORA
10 reviewed the historical chemical costs for Westlake where 100% of the water supply is
11 purchased treated water. CWS's historical expenditure on chemicals is as follows in

12 **Table 2-10:**

13 **Table 2-10: Historical Chemical Expense - Westlake**

2010	2011	2012	2013	2014
\$100	\$0	\$0	\$0	\$900

14
15 Since the total supply is treated purchased water and the historical costs provide no
16 support for \$1,100 per year, ORA recommendation of the five-year average unit cost,
17 adjusted for inflation is a more accurate forecast for the minimal chemical needs in the
18 Westlake district.

19 *q. Willows*

20 In Willows, CWS estimates \$7,500 for Test Year 2017. ORA recommends \$7,000, a
21 difference of \$500. ORA and CWS use the same methodology, the five-year historical
22 average adjusted for inflation. However, ORA recommends a slightly lower sales
23 forecast and water production which impacts the estimated chemical expense for the Test
24 Year.

5. Postage

Postage expense is the costs of mailing customer bills and notices. ORA's review of each district revealed that CWS based its proposed expense on the most recent historical costs incurred in 2014. In each district, CWS's methodology begins with determining the postage cost per service by dividing the total postage expense incurred in 2014 by the average number of services in 2014. This cost per service was then multiplied by the average number of services estimated for the Test Year. ORA accepts this methodology in the majority of its districts.

In six districts, CWS modified this methodology by adding a percent increase in postage costs. ORA disagreed with this difference in methodology because no evidence or support was submitted indicating any future percent increase in postage costs for these districts. The following discussion presents CWS's estimated Postage expense for Test Year 2017 and ORA's recommendation where ORA rejected CWS's methodology or differed in Postage expense due to differences in forecasted number of services.

a. Bakersfield

In Bakersfield, CWS estimated \$307,800 for Postage Expense in Test Year 2017. ORA recommends \$300,700, a difference of \$7,100. CWS used the recorded 2014 historical average cost per service incurred in 2014 multiplied by the estimated number of services in the Test Year. ORA agrees with CWS's methodology but a difference in the number of services estimated by ORA's sales witness resulted in a lower estimate for Postage Expense.

b. Bear Gulch

In Bear Gulch, CWS estimated \$78,600 for Postage Expense in Test Year 2017. ORA recommends \$78,500, a difference of \$100 due to the same reasons discussed above for Bakersfield.

1 *c. Chico*

2 In Chico, CWS estimated \$128,700 for Postage Expense in Test Year 2017. ORA
3 recommends \$120,500, a difference of \$8,200. CWS’s methodology included a 6.5%
4 increase in postage costs “effective January 26, 2014.”¹³ ORA’s estimate is based on the
5 historical 2014 average cost per service multiplied by ORA’s number of services
6 estimated for the Test Year. ORA rejects the inclusion of an additional 6.5% for two
7 reasons. First, any increase effective in January 2014 would have been included in the
8 2014 historical costs that CWS used as a basis for its methodology of determining the
9 postage cost per service. Second, CWS provided no evidence or support showing that the
10 US Postal Service has authorized a 6.5% increase in postage cost that will take effect in
11 the Test Year. The Commission should adopt ORA’s estimate because it is more
12 accurate.

13 *d. East Los Angeles*

14 In East Los Angeles, CWS estimated \$113,200 for Test Year 2017, ORA recommends
15 \$113,100, a difference of \$100, due to the same reasons discussed above for Bakersfield.

16 *e. Kern River Valley*

17 In Kern River Valley, CWS estimates \$18,400 for Test Year 2017. ORA recommends
18 \$18,200, a difference of \$200 due to the same reasons discussed above for Bakersfield.

¹³ CWS Results of Operation for Chico District, workpaper WP5B3.

1 *f. Los Altos*

2 In Los Altos, CWS estimates \$79,600 for Test Year 2017. ORA recommends \$78,000, a
3 difference of \$1,600. CWS added a 2% annual increase “effective January 22, 2012.”¹⁴
4 Similar to the Chico district, any increase effective in January 2012 would have been
5 included in the 2012 historical costs that CWS used as a basis for its methodology of
6 determining the postage cost per service. CWS provided no evidence or support showing
7 that the US Postal Service has authorized a 2% increase in postage cost that will take
8 effect in the Test Year.

9 *g. Marysville*

10 In Marysville, CWS proposes \$15,700 for Test Year 2017. ORA recommends \$15,400, a
11 difference of \$300. CWS added a 2% annual increase “effective January 26, 2014.”¹⁵ As
12 previously discussed, any increase effective in 2014 would have been included in the
13 recorded 2014 historical costs. CWS provided no evidence or support showing that the
14 US Postal Service has authorized a 2% increase in postage for 2017.

15 *h. Oroville*

16 In Oroville, CWS proposes \$15,300 for Test Year 2017. ORA recommends \$14,800, a
17 difference of \$500. The difference is due to ORA’s lower average number of service
18 connections in its sales forecast and CWS’s inclusion of a 2% annual increase “effective

¹⁴ CWS Results of Operation for Los Altos District, workpaper WP5B3.

¹⁵ CWS Results of Operation for Marysville District, workpaper WP5B3.

1 January 26, 2014.”¹⁶ ORA rejects the unsupported 2% increase as discussed above for
2 Marysville.

3 *i. Salinas*

4 In Salinas, CWS proposes \$120,000 for Test Year 2017. ORA recommends \$119,900, a
5 difference of \$100 due to lower number of services estimated by ORA’s sales witness.

6 *j. Selma*

7 In Selma, CWS proposes \$27,100 for Test Year 2017. ORA recommends \$27,500, an
8 increase of \$400. ORA and CWS use the same methodology, cost per service for the last
9 recorded year (2014), and adjusted for inflation multiplied by the proposed number of
10 services in 2017. ORA’s sales witness estimates a higher average number of services
11 than CWS.

12 *k. Stockton*

13 In Stockton, CWS proposes \$181,800 for Test Year 2017. ORA recommends \$181,700,
14 a difference of \$100 due to a lower average number of services estimated by ORA’s sales
15 witness.

16 *l. Visalia*

17 In Visalia, CWS proposes \$187,000 for Test Year 2017. ORA recommends \$184,200, a
18 difference of \$2,800. CWS added a 2% annual increase “effective March 27, 2014.”¹⁷

¹⁶ CWS Results of Operation for Oroville District, workpaper WP5B3.

¹⁷ CWS Results of Operation for Visalia District, workpaper WP5B3.

1 For the reasons discussed above concerning other districts where CWS included annual
2 postage rate increases without support, ORA rejects the 2% added to the postage expense
3 estimate for Visalia.

4 *m. Willows*

5 In Willows, CWS proposes \$10,800 for Test Year 2017. ORA recommends \$9,900, a
6 difference of \$900. CWS and ORA both use the 2014 recorded average cost per service
7 multiplied by the number of average services estimated in the Test Year. The difference
8 is due to a difference in the sales forecasts for the average number of service connections
9 in the Test Year and ORA's exclusion of CWS's adjustment for the 2% annual increase
10 "effective March 27, 2014."¹⁸

11 **6. Transportation (Operation)**

12 Total Transportation Expense for each district is allocated between Operations,
13 Maintenance and A&G Expenses. The allocation factor used in the Test Year is
14 determined by the average percent of use during the most recent recorded year (2014).
15 Transportation expense for Operations includes the expense of mileage for production
16 and distribution, and customer accounting. CWS uses the inflation-adjusted five-year
17 historical average for estimating the expense amount required for the Test Year. In
18 districts where additional vehicles are proposed, CWS adds the estimated cost per vehicle
19 *(2014 recorded expense divided by the number of vehicles)* multiplied by the number of
20 new vehicles requested per year. ORA accept CWS's methodology since it is based on

¹⁸ CWS Results of Operation for Willows District, workpaper WP5B3.

1 an average of the historical data. ORA accepts CWS's estimate for Transportation
2 Operation Expense for all districts as presented in its filing except for the following areas.

3 *a. Rancho Dominguez*

4 The Rancho Dominguez area includes three districts: Dominguez, Hermosa-Redondo,
5 and Palos Verdes. Rancho Dominguez has 97 vehicles which CWS assigns to each of the
6 three districts according to allocation factors; these factors are calculated based on the
7 number of services in each district relative to total number of services in Rancho
8 Dominguez. The allocation factors used by CWS are as follows: 44.8% for Dominguez,
9 24.7% for Hermosa-Redondo and 30.5% for Palos Verdes.

10 ORA found an error in CWS workpapers concerning 26 vehicles to be replaced in
11 Rancho Dominguez over three years (10 in 2016, 6 in 2017 and 10 in 2018). CWS
12 identified the vehicles as "replacement" vehicles but included additional transportation
13 expense as if the 26 vehicles were "additional" vehicles, thus increasing the vehicle count
14 from 97 to 123 by 2018. ORA corrected this error and removed the increase in
15 transportation expense for the erroneous "additional" vehicles for each of the districts.
16 ORA's witness on capital improvements elaborates on CWS's request for vehicles.

17 *i. Dominguez*

18 In the Dominguez district, CWS proposed \$264,100 for Test Year 2017. ORA
19 recommends \$223,900, a difference of \$40,200. The difference is due to correction of
20 CWS's workpaper and removal of "additional" vehicles that are actually replacement
21 vehicles.

22 *ii. Hermosa-Redondo*

23 In the Hermosa-Redondo district, CWS proposed \$170,500 for Test Year 2017. ORA
24 recommends \$146,100, a difference of \$24,400, for the same reason discussed above.

25 *iii. Palos Verdes*

26 In the Palos Verdes district, CWS proposed \$202,200 for Test Year 2017. ORA
27 recommends \$173,300, a difference of \$28,900, for the same reason discussed above.

1 ***b. Westlake***

2 In the Westlake district, CWS estimates \$58,500 for Transportation Operation Expense in
3 Test Year 2017. ORA estimates \$50,200, a difference of \$8,300. ORA and CWS use the
4 same methodology but CWS's workpapers show the addition of a new vehicle in 2017.
5 ORA's plant witness sought verification of this new vehicle and was advised that the
6 entry was an error. No new vehicle is being requested for Westlake. ORA removed the
7 additional vehicle which resulted in the reduction in Transportation Expense for
8 Westlake.

9 ***c. Customer Support Services or General Office***

10 At the Customer Support Services (CSS) or General Office (GO), CWS estimates
11 \$275,300 for Transportation expense (Operation) for Test Year 2017. ORA recommends
12 \$246,200, a difference of \$29,100. CWS's estimate is based on the most recent two-year
13 average (2013 – 2014). CWS provided no reason for using the most recent two-year
14 average. ORA's estimate is based on the five-year historical average (2010 – 2014)
15 adjusted for inflation; this average includes more data points and reflects fluctuations in
16 costs that tend to occur for this expense category. Additionally, ORA's capital witness
17 on CSS plant projects recommends that the Commission disallow transportation expense
18 related to 4 vehicles. *(See ORA's Report on Plant – CSS.)*

19 **7. Uncollectible Rate**

20 The uncollectible rate is the percent of revenue that represents uncollectible customer
21 accounts. CWS uses the five-year historical average (2010 – 2014) for each district
22 except King City and Los Altos, where it uses a four-year average (2011 – 2014), and

1 Redwood Valley-Unified, where it uses the last adopted rate for 2014. CWS provided no
2 explanation for using the four-year average for Los Altos and King City. CWS stated
3 that in Redwood Valley - Unified system, the historical data was too unstable to establish
4 a trend.¹⁹ ORA agreed with CWS's use of the last recorded rate for Redwood Valley –
5 Unified. ORA reviewed CWS's historical data for Los Altos and found that using a four
6 year average yields a more favorable (*higher*) rate for the company, resulting in a higher
7 uncollectible expense. After examining the recorded data for years 2010 through 2014,
8 ORA accepts the four-year average used for King City because it is the most favorable
9 rate for ratepayers.

10 ORA accepts CWS's Uncollectible rate for some districts but recommends a different
11 rate for others, as highlighted in the **Table 2-11**. For those districts, ORA recommends
12 using an average of the most recent two years (2013 – 2014); this two-year average is
13 more reflective of the improving local economies.

¹⁹ CWS response to ORA data request PXS 019, Q. 6.

1

Table 2-11: CWS and ORA's Uncollectible Rates

District	Cal Water	ORA
Antelope Valley	0.755%	0.755%
Bakersfield	0.630%	0.630%
Bayshore	0.082%	0.058%
Bear Gulch	0.078%	0.078%
Chico	0.191%	0.176%
Dixon	0.353%	0.313%
Dominguez	0.184%	0.101%
East Los Angeles	0.195%	0.186%
Hermosa-Redondo	0.081%	0.081%
Kern River Valley	0.714%	0.714%
King City	0.406%	0.406%
Livermore	0.124%	0.124%
Los Altos	0.032%	0.029%
Marysville	0.323%	0.259%
Oroville	0.514%	0.514%
Palos Verdes	0.068%	0.068%
Redwood - Coast Springs	0.034%	0.034%
Redwood - Lucerne	0.723%	0.723%
Redwood - Unified	0.717%	0.717%
Salinas	0.250%	0.250%
Selma	0.310%	0.310%
Stockton	0.890%	0.890%
Visalia	0.356%	0.356%
Westlake	0.064%	0.028%
Willows	0.412%	0.412%

2

3 **8. Purchased Services**

4 Purchased Services Expense includes several accounts used by CWS to record expenses
5 related to operation and maintenance costs to supply, pump and treat water, as well as to
6 repair and maintain infrastructure.

7 *a. Source of Supply*

8 For Source of Supply Expense, CWS adhered to using a five-year (2010-2014) historical
9 average adjusted for inflation. After reviewing CWS's estimate for each district, ORA
10 agreed with CWS's proposed level of expense for all districts except Bear Gulch,
11 Dominguez, Redwood Valley – Coast Springs, Salinas and Visalia. The discussion

1 below sets forth ORA's reasons for disagreeing with CWS and provides ORA's
2 recommendation.

3 *i. Bear Gulch*

4 CWS proposed \$36,900 for Test Year 2017. ORA recommends \$23,200, a difference of
5 \$13,700. CWS based its estimate on the five-year historical average (2010 – 2014)
6 adjusted for inflation. CWS's historical expense for years 2010 – 2014 show an
7 unusually high amount of \$82,800 for 2011. In response to ORA data request, CWS
8 stated that an expense amount of \$62,201 relates to a non-recurring project (PID 11952)
9 that was not capitalized and instead included in the expense account.²⁰ Since this amount
10 is non-recurring, it should not be included in the historical spending data used for
11 forecasting. ORA removed \$62,201 from the recorded 2011 data and developed its
12 forecast of \$23,200 based on the revised five-year average adjusted for inflation.

13 *ii. Dominguez*

14 In Dominguez, CWS proposes \$57,300 for Test Year 2017. ORA recommends \$56,000,
15 a difference of \$1,300. CWS estimate is based on the historical five-year average (2010
16 – 2014) adjusted for inflation. ORA examined CWS's calculations and found that
17 escalation factors were applied incorrectly as discussed previously. CWS acknowledged
18 the errors by providing ORA with corrected workpapers. With the correction, the five-
19 year historical average is \$56,000.

²⁰ CWS response to ORA data request PXS 012, Q.2.

1 iii. Redwood Valley – Coast Springs

2 In Redwood Valley – Coast Springs, CWS proposes \$3,600 for Test Year 2017. ORA
3 recommends \$600, a difference of \$3,000. CWS’s workpapers indicated that its estimate
4 was based on a five-year historical average (2010 – 2014) adjusted for inflation. Upon
5 reviewing the historical data, ORA found that within the last five years, CWS recorded
6 \$14,800 for 2010, spent less than \$500 for 2011 and 2012, and recorded \$0 for 2013 and
7 2014. ORA inquired about the unusually high expenditure for 2010. In response, CWS
8 stated that approximately \$12,820 was recorded for a one-time expense.²¹ ORA removed
9 the one-time expense from the 2010 data since it is not expected to occur in 2017 and
10 therefore should not be used to forecast for 2017 expense. ORA’s estimate of \$600 is
11 based on the revised five-year historical average (2010 – 2014) adjusted for inflation.

12 iv. Salinas

13 In Salinas, CWS requests \$9,000 in Test Year 2017. ORA recommends \$0. CWS’s
14 request is based on a five-year historical average (2010 – 2014) adjusted for inflation.
15 During the 2010 – 2014 period CWS recorded a \$42,190 in 2011 and \$0 in each of the
16 other four years in the period. ORA questioned the expense recorded in 2011 and CWS
17 responded that the 2011 expense is from two projects (PIDs 13767 and 18653 for the
18 purchase of land and future growth area management) that were cancelled.²² Since these
19 projects were cancelled and costs associated with these two projects are not subject to
20 recur in the Test Year, the amount spent in 2011 should not be considered in the forecast
21 for 2017. After removing these one-time charges, the recorded amount for years 2010 –

²¹ CWS response to ORA data request PXS 019, Q.3.

²² CWS response to ORA data request PXS 020 Q. 1.

1 2014 was \$0. ORA recommends the Commission reject CWS's forecast since there is no
2 historical spending for Source of Supply that is expected to occur in Test Year 2017.

3 v. Visalia

4 In Visalia, CWS requests \$9,400 for Test Year 2017. ORA recommends \$2,600, a
5 difference of \$6,800. CWS's workpapers indicated that its estimate was based on a five-
6 year historical average (2010 – 2014) adjusted for inflation. Upon reviewing the
7 historical data, ORA found that CWS recorded \$30,400 in 2010, \$10,000 in 2011, and
8 less than \$1,000 for 2012 thru 2014 combined. CWS stated that \$30,400 recorded in
9 2010 was for non-recurring expenses related to its Urban Water Management Plan and
10 should not be used in forecasting.²³ ORA removed the non-recurring \$30,400 and
11 recalculated the five-year historical average to arrive at an estimate of \$2,600.

12 b. *Pumping*

13 CWS used the five-year historical average adjusted for inflation to estimate pumping
14 expenses for all districts. ORA accepts CWS proposed estimate for all districts except
15 for Dominguez, Redwood Valley – Lucerne and Coast Springs, and Salinas.

16 i. Dominguez

17 In Dominguez, CWS requests \$87,800 for Test Year 2017. ORA recommends \$78,300, a
18 difference of \$9,500. CWS's request is based on the inflation-adjusted five-year
19 historical average from 2010 – 2014. ORA noticed a 70% increase in expenditure from
20 2012 to 2013. In response to ORA's data request, CWS indicated that \$35,453 in

²³ CWS response to ORA data request PXS 022 Q.1.

1 Allocated Payroll expense had been recorded to Pumping Expense in error.²⁴ Removal of
2 this amount and correction of escalation errors resulted in ORA's lower estimate of
3 \$78,300, based on a corrected five-year historical average.

4 *ii. Redwood Valley Coast Springs and Lucerne*

5 In Redwood Valley – Coast Springs, CWS requests \$5,500 for Test Year 2017. ORA
6 recommends \$1,300, a difference of \$4,200. CWS's workpapers indicated that the
7 estimate was based on a five-year historical average (2010 – 2014) adjusted for inflation.
8 Upon reviewing the historical data, ORA found that in 2014, CWS recorded \$20,850, an
9 unusually high amount compared to the remaining years' levels which ranged from a low
10 of \$200 to a high of \$2,700. In response to ORA data request, CWS stated that for 2014,
11 \$19,350 should have been allocated to Payroll but was erroneously recorded to Pumping
12 Expense.²⁵ ORA removed the erroneous amount and recalculated the five-year historical
13 average to arrive at an estimate of \$1,300 including inflation.

14 In Redwood Valley – Lucerne, CWS requests \$11,000 for Test Year 2017. ORA
15 recommends \$700, a difference of \$10,300. CWS's request includes \$10,000 in new
16 expenses related to installation of a floating intake structure for pumping water from
17 Clear Lake. CWS states that its proposal is in response to dropping water levels caused
18 by the drought. The floating intake structure would be a temporary installation
19 potentially deployed and removed once per year to allow for pumping from a deeper
20 depth farther from the shore. According to CWS's response to ORA data request, the
21 estimated cost of \$10,000 per year (\$5,000 to deploy and \$5,000 to remove once per

²⁴ CWS response to ORA data request PXS 015, Q.2.

²⁵ CWS response to ORA data request PXS 019, Q.4.

1 year) is based on verbal discussions with contractors.²⁶ The project is planned for 2016
2 but is currently in the design phase. CWS received a grant to cover the capital costs and
3 does not include this project in proposed capital improvements.

4 While this project may be of some promise should the drought continue, CWS has not
5 provided ORA or the Commission with any plans or studies supporting the need for the
6 project and the estimated annual expense requested by CWS is based solely on
7 conversations without any specific detail for ORA or the Commission to review. CWS
8 provided no indication whether authorization from the Department of Fish and Wildlife is
9 necessary or has been obtained. Since the project is still in the design phase there is no
10 indication that it will be completed in 2016. ORA recommends that the Commission
11 deny CWS's request based on it lacking support for both need and costs. This project
12 may also need clearance by the Department of Fish and Wildlife. ORA recommends that
13 the Commission accept ORA estimate of \$700 which is based on the historical five-year
14 average adjusted for inflation.

15 *iii. Salinas*

16 In Salinas, CWS's request of \$249,000 is based on the five-year historical expense (2010
17 – 2014) adjusted for inflation, plus maintenance costs due to the installation of 20
18 Chlorine analyzers in 2016, and 6 more in 2017. ORA recommends \$238,000, a
19 difference of \$11,000. The Chlorine analyzers have maintenance costs of approximately
20 \$2,250 each per year. In response to ORA's inquiry for additional information to support
21 the amount requested, CWS informed ORA that its forecast had changed and that only 4
22 Chlorine analyzers had been installed in 2015. Since CWS is withdrawing its original

²⁶ CWS response to ORA data request PXS 019, Q.5 & 6.

1 request, ORA recommends that the Commission deny CWS's estimate and accept ORA
2 recommended amount of \$238,000 which is based on the historical five-year average plus
3 inflation.

4 *c. Water Treatment*

5 For Water Treatment Expense, ORA accepts CWS's estimate for all districts except
6 Bakersfield, Chico, Dixon, Dominguez, Salinas, and Willows districts.

7 *i. Bakersfield*

8 In Bakersfield, CWS forecasts \$872,100 for Test Year 2017. ORA recommends
9 \$392,700, a difference of \$479,400. CWS's forecast is based on the inflation-adjusted
10 five-year historical data, plus new expenses described as "Extraordinary Loss" in the
11 amount of \$416,000. The "Extraordinary Loss" described by CWS is for investment in
12 design costs, testing, and a pilot for the South Bakersfield (SBK) Treatment Plant, a joint
13 project with the City of Bakersfield that has been cancelled. From 2010 through 2012,
14 CWS incurred \$4,676,312 (including carrying costs). CWS cancelled the project in 2012
15 for several reasons including contamination of the water source, the decision of the City
16 of Bakersfield to back out of the project, and the ongoing drought resulting in the
17 unavailability of surface water. CWS states in its Result of Operations that in the 2012
18 General Rate Case, it included \$4,676,312 in Plant Held for Future Use. At the time of
19 CWS's General Rate Case filed in 2012, ORA took no position on CWS's decision to put
20 the costs in Plant Held for Future Use. *(For more detail, please refer to ORA's Plant*
21 *Testimony for Bakersfield).* CWS now states that these costs are mainly design costs for
22 the SBK Treatment Plant and that it has become apparent that there would not be a
23 definite use for this project in the near future. CWS seeks to remove the capital cost in

1 the calculation of revenue requirement for this proceeding and recover the investment
2 over a ten-year period in Water Treatment Expense.²⁷

3 The Commission should deny CWS's request to recover through Water Treatment
4 Expense funds spent in 2010-2012 for design costs of a treatment plant that will not be
5 constructed. To allow CWS to recover these costs in 2017 and beyond amounts to
6 retroactive ratemaking. CWS initiated this project without explicitly seeking
7 Commission authorization in the 2009 or 2012 General Rate Case where ORA and the
8 Commission would have had the opportunity to examine both the need and feasibility of
9 the project. CWS gambled by initiating the project without receiving prior Commission
10 authorization, based on growth that did not occur and a water source that turned out to be
11 contaminated. Now, CWS asks that ratepayers pay \$4,676,312 over the next ten years for
12 that gamble while receiving absolutely nothing in return.

13 In addition, while reviewing the historical data used to forecast Water Treatment
14 expenses, ORA questioned the sharp increase in expenditure in 2014 to more than
15 \$860,000. **Table 2-12** below shows CWS's historical recorded costs adjusted for inflation
16 to 2014 dollars.

17 **Table 2-12: Historical Water Treatment Expense - Bakersfield District**

2010	2011	2012	2013	2014
\$280,500	\$361,600	\$204,700	\$435,100	\$860,800

18
19 CWS responded that two issues caused an increase in the recorded expense in 2014. The
20 first issue was a service charge adjustment of \$282,305 by the North of River Sanitary

²⁷ Results of Operation – Bakersfield, p.51.

1 District. This invoice contained retroactive charges dating back from 2011 through 2014.
2 ORA's examination of the invoice found that \$154,365 was for delinquent charges and an
3 Administrative charge for the period 2011 through 2013. Another \$127,939 represented
4 charges for 2014. From the invoice and Service Charge Calculation on the invoice
5 provided to ORA, it appears that the Sanitary District increased the monthly service
6 charge retroactively for fiscal years 2011-2012 and 2012-2013. The revised fiscal year
7 charges totaled \$97,685 for each fiscal year respectively. Since CWS had previously
8 paid \$27,519 for each fiscal period, the delinquent balance due for each period was
9 \$70,166 *(($\$70,166 \times 2$) plus \$14,033 Administrative Charge = \$154,365)*. ORA removed
10 the \$154,365 from the 2014 historical data since these delinquent charges are unlikely to
11 reoccur in the Test Year.

12 As for the second issue causing the 2014 historical costs to exceed \$860,000, ORA also
13 removed \$143,274 from the 2014 historical data because this amount represented
14 payment to Patriot Environmental Services for mercury abatement. In late August and
15 early September 2014, CWS retained Patriot Environmental Services to clean up a
16 mercury spill caused by employees working on panelboard pressure meter repair. This is
17 a one-time expense that should not reoccur in the Test Year.

18 CWS claims in its response to ORA data request that "Cal Water must take all necessary
19 steps to ensure NO employee is exposed to toxic airborne contaminants." However, in
20 the same paragraph, CWS states, "Cal Water is expecting this service to be an on-going
21 expense for employee safety."²⁸ This statement sounds as if CWS plans on the need for
22 abatement of hazardous materials such as the one described above to become routine.

23 While ORA is aware that such accidents may occur from time to time, it is ORA's

²⁸ CWS response to ORA data request PXS 010, Q.5.

1 position that the safety of employees should be of utmost concern and that the company
2 should take specific steps to properly train its employees on the safe handling of its
3 equipment in order to prevent such accidents from happening, and thereby ensuring the
4 safety of its employees and minimizing the need for abatement of hazardous materials as
5 much as possible. Appropriate training on the handling of equipment containing
6 hazardous materials is expected and such training is likely already included in the regular
7 training available to water operators. This expense is for clean-up of a hazardous
8 material and should be an exception rather than a regular “on-going” occurrence.

9 ORA’s estimate of \$392,700 is based on an inflation-adjusted five-year historical
10 average. ORA recommends the Commission disallow recovery of expenses related to the
11 SBK Treatment Plant. Water Treatment Expense in the Test Year should be based on
12 data that is more likely to occur during the coming rate cycle. Ratepayers should be
13 protected from the inclusion of unreasonable expenses that are of no benefit to ratepayers,
14 retroactive, and not likely to reoccur in the Test Year.

15 It is a well-established tenant with the Commission that ratemaking is done on a
16 prospective basis. The Commission’s practice is not to authorize increased utility rates to
17 account for previously incurred expenses, unless, before the utility incurs those expenses,
18 the Commission has authorized the utility to book those expenses into a memorandum or
19 balancing account for possible future recovery in rates. This practice is consistent with
20 the rule against retroactive ratemaking.²⁹ None of these measures were in place or even
21 sought by CWS when it elected to begin the design of its SBK Treatment Plant.

²⁹ Decision (D.)92-03-094 (1992) 43 Cal. PUC 2d 596, 600

1 ii. Chico

2 CWS's request of \$146,100 in Test Year 2017 is based on five-year historical average
3 adjusted for inflation. ORA recommends \$108,300, a difference of \$37,800. The
4 recorded historical data used by CWS is shown in **Table 2-13**.

5 **Table 2-13: Water Treatment Expense - Chico District (Inflated to 2014 Dollars)**

6

2010	2011	2012	2013	2014
\$74,000	\$119,900	\$106,200	\$166,900	\$219,200
Corrected Water Treatment Expense (2014 Dollars)				
\$74,000	\$119,900	\$106,200	\$37,500	\$171,000

7 ORA questioned CWS on the increase in recorded costs for 2013 and 2014. According to
8 CWS's response, the amounts shown in its workpapers should be the net water treatment
9 costs after subtracting the cost of chemicals.³⁰ As discussed regarding Chemical Expense
10 in section 4.b above, CWS had mis-applied chemical costs to Transmission and
11 Distribution expense of \$127,500 in 2013 and \$48,200 in 2014 in Chico. CWS advised
12 ORA that correcting the errors in Chemical Expense and Transmission & Distribution
13 Expense also reduced the Water Treatment Expense.³¹ Therefore, ORA first removed
14 from Water Treatment Plant Expense \$127,500 and \$48,200 of recorded chemical
15 expense in 2013 and 2014, respectively, and then forecasted for the Test Year using the
16 revised five-year inflation adjusted historical average. ORA recommends \$108,300 for
17 Test Year 2017.

³⁰ CWS response to ORA data request PXS 013, Q.2.

³¹ CWS response to ORA data request PXS 013 Q.3.

1 iii. Dixon

2 In Dixon, CWS proposes \$117,400 for Test Year 2017. ORA recommends \$49,000, a
3 difference of \$68,400. CWS used the five-year historical average for 2010 – 2014 to
4 forecast its recommendation. CWS then added \$68,400 for Chromium 6 treatment. ORA
5 removed the expenses related to Chromium 6 since they are to be tracked in a
6 memorandum account established in D.14-08-011.

7 iv. Dominguez

8 In Dominguez, CWS proposed \$211,700 for Test Year 2017. ORA recommends
9 \$206,800, a difference of \$4,900. Both CWS and ORA used the five-year historical
10 average for 2010 – 2014 to forecast its recommendation. The difference of \$4,900 is due
11 to ORA's correction of CWS's errors in applying the escalation factors. ORA used the
12 corrected workpaper³² to derive its estimate.

13 v. Salinas

14 In Salinas, CWS proposes \$1,594,400 for Test Year 2017. ORA recommends
15 \$1,580,400, a difference of \$14,000. CWS used the five-year historical average for 2010
16 – 2014 to forecast its recommendation. CWS then added \$68,400 for Chromium 6
17 treatment and \$76,200 per year for the lease of an Envirogen unit at Station 37-01. CWS
18 previously recorded the annual lease for this equipment in Purchased Water expense. In
19 the 2009 GRC Settlement Agreement, CWS and ORA agreed that costs associated with
20 ion exchange facilities would be recorded in Water Treatment expense. ORA accepts the
21 addition of the \$76,200 per year for the Envirogen lease. ORA removed the expenses

³² Provided by CWS in October 2015.

1 related to Chromium 6 since they are to be tracked in a memorandum account established
2 in D.14-08-011.

3 *vi. Willows*

4 In Willows, CWS proposes \$100,400 for Test Year 2017. ORA recommends \$22,300, a
5 difference of \$78,100. CWS used the five-year historical average for 2010 – 2014 to
6 forecast its recommendation. CWS then added \$73,400 in 2015 for Chromium 6
7 treatment and carried that amount forward with escalation to the Test Year. For the same
8 reason described above, ORA removed the expense related to Chromium 6.

9 *d. Transmission & Distribution (T&D)*

10 ORA agreed with CWS's estimate for T&D Expense for all districts except Chico,
11 Dominguez and Customer Support Services/GO.

12 *i. Chico*

13 CWS proposed \$163,700 for T&D Expense for Test Year 2017. ORA recommends
14 \$125,900, a difference of \$37,800. CWS's estimate was based on the five-year historical
15 average adjusted for inflation. However, as discussed previously in Chemical Expense
16 (section 4.c.) and in Water Treatment (section 8. c. ii) CWS admitted to incorrectly
17 recording chemicals in T&D expense for years 2013 and 2014. ORA used the corrected
18 workpaper to derive its estimate.

19 *ii. Dominguez*

20 In Dominguez, CWS proposed \$158,500 for Test Year 2017. ORA recommends
21 \$154,600, a difference of \$3,900. Both CWS and ORA used the five-year historical data

1 to forecast for the Test Year. As discussed previously, CWS committed errors in
2 applying the escalation factors. ORA used the corrected workpaper³³ to derive its
3 estimate.

4 *iii. Customer Support Services – GO*

5 CWS proposes \$249,600 in T&D for CSS/GO for Test Year 2017. ORA recommends
6 \$200,700, a difference of \$48,900. CWS's estimate is based on the five-year historical
7 average (2010 – 2014) adjusted for inflation. Upon reviewing CWS's historical data,
8 ORA questioned the amounts recorded for 2013 and 2014 because the expense recorded
9 for those two years appeared at least 50% higher than amounts recorded for 2010 – 2012.
10 In response to ORA's data request, CWS stated that in 2013, expenses related to the GO
11 building remodel (Project ID 16992) for \$92,155 was included in T&D.³⁴ Although the
12 work on the GO remodel was authorized in the last general rate case, the amount was
13 non-recurring and should not be included in the forecast for 2017. CWS also advised
14 ORA that the 2014 recorded amount included \$135,954 payable to the Centers for
15 Medicare & Medicaid Services (CMS) for annual enrollment into the Affordable Care
16 Act Transitional Reinsurance Program. This amount was mis-applied to T&D and should
17 have been recorded in the Administrative & General Expenses as health benefits costs.

18 ORA's estimate is based on the inflation adjusted five-year historical average and
19 excludes the non-recurring expense for the remodel and the mis-applied healthcare
20 expense.

³³ Provided by CWS in October 2015.

³⁴ CWS response to PXS 001, Q.4

1 *e. Customer Accounting*

2 Customer Accounting covers expenses including but not limited to the maintenance of
3 customer records, operation of customer service functions, telephone services, software,
4 metering, and equipment rental. CWS used the five-year historical average adjusted for
5 inflation to develop its estimates. ORA accepts CWS's estimate for all districts except
6 those delineated below.

7 *i. Bakersfield*

8 In Bakersfield, CWS estimates \$458,500 for Test Year 2017. This estimate is based on
9 the inflation-adjusted five-year historical average, plus \$62,400 per year beginning in
10 2016 (one year before the Test Year) for Advanced Meter Infrastructure ("AMI").

11 ORA recommends \$394,300, a difference of \$64,200. ORA accepts the inflation-
12 adjusted five-year historical average escalated to 2017, but excludes the additional
13 expense related to AMI. See ORA's Report on Plant – Common Issues on this AMI
14 project.

15 *ii. Dominguez*

16 In Dominguez, CWS proposes \$275,700 for Test Year 2017. ORA recommends
17 \$227,200, a difference of \$48,500. Both CWS and ORA used the historical five-year
18 average however; CWS mis-applied the escalation factors. CWS provided ORA with a
19 corrected workpaper agreeing with ORA's correction to the escalation calculation. ORA
20 also reduces the forecast for Customer Accounting to impute cost savings resulting from
21 ARM meter installations. This downward adjustment is \$7.24/AMR meter/year (in 2016
22 dollars) multiplied by the number of meters CWS expects to be installed by end of
23 2016. This adjustment is in accordance with ORA's recommendations in its AMR/AMI
24 testimony (see ORA's Report of Plant – Common Issues).

25 *iii. Westlake*

26 In Westlake, CWS proposes \$78,700 for Test Year 2017. ORA recommends \$69,200, a
27 difference of \$9,500. CWS's estimate of \$78,700 is based on a four-year historical

1 average (2011 – 2014), adjusted for inflation. CWS provided no reason for using a four-
2 year period. The only obvious reason to use the four-year average is that it results in a
3 higher estimate than the five-year average. ORA used the full five-year historical
4 average adjusted for inflation in its estimate to include all available recent data.

5 *iv. Customer Support Services – GO*

6 CWS requests \$3,496,300 for Customer Accounting. ORA recommends \$3,185,600, a
7 difference of \$310,700. Customer Accounting includes services provided from the
8 headquarters downward to the districts, including customer billing services, maintenance
9 of customer records, office supplies, telephone services, office equipment, and expenses
10 related to computer software licensing. ORA reviewed CWS's recorded expenses and its
11 request for new expense items and agreed with the basis of CWS's estimate, the five-year
12 historical level of expense. ORA reviewed contract renewals for numerous software
13 packages and licenses requested by CWS. ORA differs with CWS's proposed total
14 expense related to renewal of software licenses. In response to ORA data request, CWS
15 indicated that its request for \$149,758 to renew an Oracle contract for SOA Middleware
16 should not be included.³⁵ ORA removed \$149,758 annual expense.

17 ORA also reduces the forecast for Customer Accounting in Test Year 2017 by \$160,909
18 as imputed annual cost savings for IT Projects 69930, 99377, and 99474 that CWS has
19 planned for completion in 2016. For 2018, ORA imputes a total cost savings of \$363,100
20 for the projects mentioned previously and two new IT Projects 99049 and 99027 planned
21 for completion in 2017. See ORA's testimony on General Office Plant for a full
22 description of the projects and ORA's recommendations.

³⁵ CWS response to ORA data request PXS 024, Q.1, Attachment A.

1 *f. Transportation (Maintenance)*

2 Transportation Maintenance is allocated from the total or aggregate Transportation
3 expense according to the percentage of use for maintenance purposes. ORA's estimates
4 are different from CWS's for the same reasons discussed in Section C.6.

5 *i. Dominguez*

6 In Dominguez district, CWS estimates \$116,100 for Test Year 2017. ORA recommends
7 \$98,400, a difference of \$17,700.

8 *ii. Hermosa-Redondo*

9 In Hermosa-Redondo district, CWS estimates \$73,300 for Test Year 2017. ORA
10 recommends \$62,800, a difference of \$10,500.

11 *iii. Palos Verdes*

12 In Palos Verdes district, CWS estimates \$85,600 for Test Year 2017. ORA recommends
13 \$73,400, a difference of \$12,200.

14 *iv. Westlake*

15 In Westlake, CWS estimates \$42,100 for Test Year 2017. ORA recommends \$35,100, a
16 difference of \$7,000. As discussed previously in Section C.6, CWS and ORA used the
17 same methodology except CWS's workpapers indicate 1 new vehicle added in the Test
18 Year. ORA plant witness confirmed with CWS that the additional vehicle was an error.

19 *v. Customer Support Services - GO*

20 Transportation Maintenance for the Customer Support Services/GO is allocated from the
21 total Transportation expense based on the percentage of use for maintenance purposes.
22 CWS proposes \$42,800 for Test Year 2017. ORA estimates \$35,500, a difference of
23 \$7,300. As discussed in Section 6. c. CWS based its total transportation expense on the
24 most recent two-year average (2013 – 2014). ORA based its estimate on the historical
25 five-year average and excluded 4 vehicles. ORA's methodology includes more data on
26 the historical expense.

1 *g. Stores*

2 To forecast Maintenance Stores Expense, CWS and ORA both used the five-year
3 historical average adjusted for inflation. ORA agreed with CWS on the amounts
4 estimated for each district except for the Dominguez district.

5 In Dominguez, CWS proposes \$131,700 for Test Year 2017. ORA estimates \$128,400, a
6 difference of \$3,300. Both CWS and ORA use the five-year historical average adjusted
7 for inflation. The difference is due to CWS mis-applying the escalation factors. In
8 October 2015, CWS provided ORA a corrected workpaper agreeing with ORA's
9 correction.

10 *h. Contracted Maintenance*

11 In Contracted Maintenance Expense, ORA reviewed CWS's estimate for the Test Year
12 for each district. CWS's estimate for Contracted Maintenance is generally based on the
13 five-year historical average (2010 – 2014) plus inflation. In addition to the inflation
14 adjusted base amount, CWS adds amortized amounts for tank painting and well
15 rehabilitation projects it requests for specific districts.³⁶ ORA plant witnesses review
16 capital projects to determine the need for tank painting and well rehabilitation projects,
17 and whether the estimated costs associated with those projects are appropriate for
18 inclusion in the Test Year. The first item reviewed by ORA in this section is the pilot
19 Enhanced Maintenance Program authorized in D.14-08-011 for four of CWS's districts
20 (Bear Gulch, Bayshore, Los Altos, and Palos Verdes). ORA discusses adjustments in
21 other districts following the discussion of the Enhanced Maintenance Program.

³⁶ D.14-08-011 authorized ten-year amortization of tank painting projects in the Contracted Maintenance Expense account because tank painting is done periodically to maintain the structural integrity of the tank.

1 i. Enhanced Maintenance Program

2 In its last general rate case, CWS requested an Enhanced Maintenance Program for high-
3 priority maintenance projects in several districts.³⁷ ORA and CWS reached a settlement
4 agreement, adopted by the Commission in D.14-08-011, to allow a pilot program for four
5 districts, Bear Gulch, Bayshore, Los Altos, and Palos Verdes. The settlement required
6 CWS to report to the Commission on the following issues:

- 7 1. The ratio of high-priority maintenance to corrective maintenance at the end of the
8 pilot program.
- 9 2. Total recorded spending on high-priority maintenance projects.
- 10 3. Description of high-priority maintenance projects completed including: types of
11 infrastructure (e.g., pumping equipment, reservoir maintenance, and hydrant
12 maintenance), number of units maintained and /or replaced, and a breakdown of
13 costs incurred.
- 14 4. Identification of high-priority maintenance projects that were not completed
15 including a summary of why the projects were not completed.

16 The amount of funding and recorded spending for high-priority maintenance for the
17 districts included in the pilot program is shown in the **Table 2-14** below.

³⁷ CWS defined High Priority Maintenance projects as those specific to maintaining pumping equipment, reservoirs, and hydrants. In the 2012 GRC, CWS sought an Enhanced Maintenance Program to move from reactive and corrective maintenance by prioritizing the maintenance of certain infrastructure as “High Priority.”

Table 2-14: Enhanced Maintenance Pilot Program

District	Authorized	Recorded	Difference
Bear Gulch	\$60,500	\$63,399	\$2,899
Bayshore	\$59,850	\$82,711	\$22,861
Los Altos	\$85,500	\$0	(\$85,500)
Palos Verdes	\$145,000	\$0	(\$145,000)
Total	\$350,850	\$146,110	

Funds authorized for 2014 in the settlement for the last GRC were included in the base budgets for the districts authorized for the pilot program. The designated funds were to be spent solely on the high-priority projects.³⁸

The first requirement of the settlement was that CWS report on the ratio of high-priority projects completed to corrective maintenance projects for each district. CWS failed to provide this information.

In response to the second and third requirements of the settlement agreement that; CWS provide the total dollars spent on high-priority projects and, provide a description of the types of high-priority projects and infrastructure maintenance completed under the pilot, CWS responded that its sole focus during 2014 was on maintenance of automatic control valves. According to CWS's direct testimony, in 2014, fourteen (14) control valves were refurbished in Bear Gulch and twenty (20) control valves were refurbished in the Bayshore district.³⁹ CWS reports that the Los Altos district did not require extensive

³⁸ D.14-08-011, Appendix B., item 16.

³⁹ Direct Testimony of California Water Service Company p 278.

1 maintenance during 2014 and in Palos Verdes control valves are maintained by an
2 internal CWS crew.⁴⁰

3 Most significantly, CWS reported to ORA that the main obstacle to implementation of
4 the high-priority or enhanced maintenance program was that the planned work as
5 described in CWS's last general rate case, for which the pilot was authorized, was
6 determined to be "Bargaining Unit work" by CWS's human resources department.
7 CWS's human resources department determined that using outside contract services
8 would violate the bargaining agreement between CWS and its represented employees'
9 union, the Utility Workers Union of America. A permanent agreement to allow for
10 contracted maintenance has still not been reached between CWS and the union.

11 ORA recommends that the further funding of this pilot be denied. CWS's proposal to
12 enhance high-priority maintenance was only effective in completing refurbishment on
13 automatic valves which other class A utilities have managed to do during the regular
14 course of operations. CWS should be able to do the same. CWS's request to increase its
15 high-priority maintenance failed at the most basic level to first determine whether the
16 work it required to be completed could be done without violating the labor agreement
17 with the employee union. There is no reason why CWS cannot continue to maintain its
18 infrastructure as it has done previously without an increased infusion of funds.

19 *i. Bayshore*

20 In Bayshore, CWS requests \$989,100 for Test Year 2017. ORA recommends \$972,000, a
21 difference of \$17,100. CWS's estimate is based on the five-year historical average (2010

⁴⁰ Ibid.

1 – 2014) adjusted for inflation, plus \$23,300 for tank painting expenses authorized in the
2 last general rate case. ORA used an adjusted five-year historical average after removal of
3 \$82,700 for the Enhanced Maintenance Program from the recorded 2014 data. Funds
4 recorded for the pilot program should not be included in forecasting for the Test Year.
5 CWS’s response to ORA data request indicates that the forecast for Contracted
6 Maintenance for Test Year 2017 excludes the amount recorded as part of the pilot
7 program for high priority maintenance.⁴¹ ORA found no evidence in CWS’s workpapers
8 that the amount recorded in 2014 was in fact excluded from the forecast.

9 ORA’s plant witness reviewed the proposed tank painting projects and agreed with the
10 amount of \$23,300 included in the Test Year, but reduced the amount added in 2018 from
11 \$187,100 to \$177,700. See ORA’s plant testimony on tank painting.

12 ii. Bear Gulch

13 In Bear Gulch, CWS requests \$871,500 for Test Year 2017. ORA recommends
14 \$858,400, a difference of \$13,100. CWS’s estimate is based on the five-year historical
15 average (2010 – 2014) adjusted for inflation, plus \$60,400 for tank painting expenses
16 with amortization to begin in 2017 and 2018. ORA used an adjusted five-year historical
17 average after removal of \$63,399 for the Enhanced Maintenance Program from the
18 recorded 2014 data. Funds recorded for the pilot program should not be included in
19 forecasting for the Test Year. Similar to Bayshore, CWS claimed that the forecast for
20 Contracted Maintenance for Test Year 2017 excluded the amount recorded for the pilot
21 program for high priority maintenance. ORA found no evidence in CWS’s workpapers
22 that the amount recorded for Bear Gulch in 2014 was excluded from the forecast data.

⁴¹ CWS response to ORA data request PXS 005, Q.5.

1 ORA's plant witness reviewed the proposed tank painting projects and reduced the tank
2 painting expense added in the Test Year from \$60,400 to \$58,700, and reduced the 2018
3 tank painting from \$102,600 to \$96,000. ORA recommends that these projects be
4 completed at a reduced cost of \$114,656 and \$324,496 respectively.

5 In the last GRC, ORA recommended amortization of tank painting because tank painting
6 is not the same as investment in constructing a unit of property or infrastructure such as
7 storage tanks, pipelines, wells, or pumps. Tank painting is more accurately described as
8 the required maintenance necessary to protect a storage tank. ORA proposed that
9 repainting a tank constitutes maintenance and should not be treated as though it were a
10 plant item because tank painting by itself cannot function as a unit of property.

11 In D.14-08-011, ORA and CWS agreed that because tank painting is an unusually large
12 expense item and lasts approximately fifteen years, the expense should be amortized over
13 a period not more than ten years. Amortization over a ten year period is set to begin the
14 year following completion of each project.

15 In Bear Gulch, ORA reduced the amount requested for amortization through Contracted
16 Maintenance to \$11,500/year for Tank #4, beginning in 2017 and \$32,400/year for Tank
17 #1 beginning in 2018.

18 *iii. Los Altos*

19 In Los Altos, CWS proposes \$419,600 for Test Year 2017. CWS seeks to include
20 \$44,200 per year in amortized tank painting expenses beginning in 2017. ORA
21 recommends \$465,000, a difference of \$45,400. ORA's estimate is higher due to ORA's
22 correction of a calculation error in CWS's workpaper (WP5B12). CWS subtracted the
23 tank painting expense of \$44,200 from the prior year (2016) before adding it to the Test
24 Year (Year 2016 (negative) \$44,200 plus (positive) \$44,200 = net \$0 increase). This error
25 resulted in no increase in dollars to cover the tank painting.

26 With respect to the Enhanced Maintenance Pilot program, CWS in the last GRC was
27 authorized to spend \$85,500 on Enhanced Maintenance in Los Altos but spent \$0. ORA

1 found no inclusion of this amount in recorded or forecasted amounts and recommends the
2 Commission deny future additional funding for Enhanced Maintenance.

3 *iv. Palos Verdes*

4 In Palos Verdes, CWS proposes \$400,100 for Test Year 2017. CWS's estimate includes
5 \$71,300 in amortized tank painting expense in 2017. ORA accepts CWS's estimate for
6 the Test Year. However, CWS increases the amortized tank painting expense in 2018 to
7 \$321,300. ORA's plant witness recommends a reduction in the tank painting program for
8 this district and reducing \$321,300 to \$71,300 for 2018. (*See ORA's plant testimony on*
9 *tank painting.*) In the last GRC, CWS was authorized to spend \$145,000 on Enhanced
10 Maintenance in Palos Verdes but spent \$0. ORA found no inclusion of this amount in
11 recorded or forecasted amounts and recommends that the Commission deny future
12 funding for Enhanced Maintenance.

13 (*The following districts were not included in the Enhanced Maintenance Program but*
14 *include tank painting and/or well rehabilitation expenses*)

15 *v. Antelope Valley*

16 In Antelope Valley, CWS proposes \$103,800 for Test Year 2017. CWS's estimate is
17 based on the five-year historical average (2010 – 2014) adjusted for inflation, plus
18 amortized expenses for tank painting of \$8,800 authorized in the last GRC. ORA accepts
19 this estimate.

20 CWS proposes new tank painting expense for a project to be completed in 2018 with
21 amortized amounts of \$10,200 to begin in 2019. ORA's plant witness disagreed with the
22 estimated cost for the project and reduced the proposed amortized expense from \$10,200
23 to \$7,500 for 2019.

24 *vi. Bakersfield*

25 In Bakersfield, CWS proposes \$1,829,300 for Test Year 2017. CWS's estimate is based
26 on the five-year historical average (2010 – 2014) adjusted for inflation, plus \$150,800

1 amortized expense for tank painting authorized in the last GRC. ORA accepts this
2 estimate.

3 CWS proposes new tank painting expense in 2018 for projects to be completed in 2017.
4 ORA's plant witness disagreed with the estimated cost for the projects and reduced the
5 new tank painting expense for 2018 from \$62,700 to \$58,100.

6 *vii. Chico*

7 In Chico, CWS proposes \$316,800 for Test Year 2017. CWS's estimate is based on the
8 five-year historical average (2010 – 2014) adjusted for inflation, plus amortized expenses
9 for tank painting of \$1,200 authorized in the last GRC. ORA accepts this estimate.

10 For 2018 and 2019 respectively, CWS proposes new tank painting expense, for projects
11 to be completed in 2017 and 2018. Amortizations of these two projects are \$17,500
12 beginning in 2018 and another \$17,500 in 2019, each for a period of 10 years. ORA's
13 plant witness disagreed with the tank painting projects, so the additional amortized
14 amounts were removed from Contracted Maintenance for 2018 and 2019. ORA took no
15 issue with the well rehabilitation expense of \$136,100 added in 2018.

16 *viii. Dixon*

17 In Dixon, CWS proposes \$121,200 for Test Year 2017. ORA recommends \$60,200, a
18 difference of \$61,000. CWS's estimate is based on the five-year historical average (2010
19 – 2014) adjusted for inflation, plus amortized expenses for tank painting of \$13,000
20 authorized in the last GRC, and new costs of \$13,000 for contracted Chromium 6
21 treatment at Stations 1, 7 and 9. ORA's estimate of \$60,200 is based on an adjusted five-
22 year historical average and includes the tank painting but excludes the Chromium 6
23 expenses.

24 When developing its estimate, ORA reviewed the historical costs for 2010 because of the
25 steep increase during that year compared with other years in the recorded period. For
26 2010, CWS recorded \$230,600 while the average expense for 2011 – 2014 was less than
27 \$50,000 per year. CWS advised ORA that the amount for 2010 included \$208,000 in
28 expenses associated with development of capital Project 18891, a proposed water

1 treatment plant that was later determined to not be feasible and was not built.⁴² Since this
2 is a non-recurring expense, ORA excluded it from the forecast.

3 ORA excluded the Chromium 6 treatment expenses because they are to be recorded in a
4 memorandum account as required in D.14-08-011.⁴³

5 ix. Dominguez

6 In Dominguez, CWS requests \$931,400 for Test Year 2017. ORA recommends
7 \$692,300, a difference of \$239,100. CWS's estimate is based on the inflation adjusted
8 five-year historical average (2010 – 2014) plus \$132,290 for tank painting added in the
9 Test Year,⁴⁴ and amortization of an extraordinary loss of a well authorized in D.14-08-
10 011 for \$221,030.⁴⁵

11 ORA reviewed CWS's historical costs for Contracted Maintenance and found that the
12 base level of expense spiked to \$963,400 in 2011 then fell to just \$241,680 in 2012.⁴⁶
13 Years 2013 and 2014 averaged \$335,000. When ORA inquired about the increase in
14 expense for 2011, CWS responded that it had incurred \$117,864 for water main repair

⁴² CWS response to Data Request PXS 014 Q. 8.

⁴³ D.14-08-011, Settlement Agreement, Exhibit B, Attachment 5.

⁴⁴ CWS workpaper WP5B12 shows previously authorized tank painting expense of \$63,210 in 2016. Another amortized incremental expense of \$69,000 for tank painting is added in Test Year 2016.

⁴⁵ Tank Painting projects add \$132,290 and extraordinary loss of well Station 203 adds \$221,030.

⁴⁶ CWS workpaper WP5B12, Recorded amounts shown without inflation to 2014 dollars.

1 and \$45,849 for water services. Another \$117,367 was booked in 2011 as an accrual of
2 various invoices, which was later reversed and charged to 2012.⁴⁷

3 ORA recommends \$692,290 for Test Year 2017. Because of the unusually high expense
4 for repairs occurring in 2011 and the fact that CWS's recorded expenses for 2011 were
5 reversed to 2012, ORA used a two-year average of historical costs (2013 -2014) adjusted
6 for inflation and includes the annual amount of \$221,000, previously authorized for the
7 extraordinary loss of a well at station 203. ORA plant witness adjusted tank painting
8 expense for the Test Year from \$132,290 to \$111,760, and reduced 2018 tank painting
9 expense from \$165,540 to \$146,000. **Table 2-14** below shows the amounts recorded by
10 CWS (adjusted to 2014 dollars).

11 **Table 2-14: Historic Contracted Maintenance, Dominguez (inflated to 2014 Dollars)**

	2010	2011	2012	2013	2014
12	\$748,640	\$1,000,260	\$247,210	\$315,660	\$359,820

13 x. East Los Angeles

14 In East Los Angeles, CWS requests \$902,100 for Test Year 2017. ORA recommends
15 \$453,300, a difference of \$448,800. Both CWS and ORA used the inflation adjusted
16 five-year historical average (2010 – 2014) as the base estimate. CWS adds additional
17 funds for tank painting of \$204,000 and well rehabilitation projects of \$89,600 for
18 2017.⁴⁸ The difference in forecasted amounts is due to ORA's adjustments to tank

⁴⁷ CWS response to ORA data request PXS 015 Q. 3 and supplemental request via email dated October 30, 2015.

⁴⁸ Tank Painting projects add \$204,000 and well rehabilitation projects add \$89,600 to the Test Year.

1 painting expense in 2017 and 2018. ORA's plant witness recommends \$180,900 in
2 incremental amortized tank painting expense in 2017, and \$201,500 in 2018. ORA also
3 corrected errors in CWS's calculation of the Test Year amount in both escalation of the
4 base expense and in compounding amortized amounts for tank painting and well
5 rehabilitation projects.

6 Amortized amounts for previous tank painting projects and the costs for well
7 rehabilitation projects authorized in the last general rate case, are included in years 2015
8 and 2016. As discussed previously, the amortization period for tank painting is 10 years
9 as agreed in settlement between ORA and CWS during the last general rate case.⁴⁹

10 Amortized amounts for newly requested tank painting and well rehabilitation projects for
11 2017 are added beginning in 2017. Escalation factors should only be applied to the base
12 amount of contracted maintenance expense (the five-year historical average) not the
13 amortized amount for tank painting and expenses for well rehabilitation. CWS
14 incorrectly included tank painting and well rehabilitation in the escalation calculation.
15 CWS also carried forward from year to year past amortized amounts from 2015 and 2016
16 into the Test Year. These errors significantly increased the forecast for the Test Year.

17 *xi. Hermosa Redondo*

18 In Hermosa Redondo, CWS proposes \$236,300 for Test Year 2017. ORA recommends
19 \$233,900, a difference of \$2,400. CWS's estimate is based on the five-year historical
20 average, adjusted for inflation. CWS adds \$2,400 incremental amortized tank painting
21 expense in 2017 and an additional \$84,700 incremental amortized tank painting expense
22 in 2018.

⁴⁹ D.14-08-011, Exhibit A, Chapter 12, p.107.

1 ORA's plant witness removed the tank painting project scheduled in 2016, reducing the
2 proposed amortized amount from \$2,400 to \$0. ORA's plant witness also reduced other
3 tank painting projects scheduled for completion in 2017 with amortization to begin in
4 2018 from \$87,100 to \$33,300.

5 *xii. King City*

6 In King City, CWS proposes \$45,200 for Test Year 2017. CWS's estimate is based on
7 the five-year historical average, adjusted for inflation and includes \$15,100 in
8 incremental amortized tank painting expenses authorized in the last GRC. ORA
9 recommends \$30,100, a difference of \$15,100. ORA's plant witness recommends
10 disallowance of the tank painting expense. ORA's plant witness also reduced additional
11 incremental amortized tank painting expense scheduled to begin in 2019 from \$6,400 to
12 \$0.

13 *xiii. Livermore*

14 In Livermore, CWS proposes \$284,400 for Test Year 2017. ORA recommends
15 \$282,300, a difference of \$2,100. CWS's estimate is based on the five-year historical
16 average, adjusted for inflation plus \$57,800 incremental amortized tank painting expense
17 in 2017 and \$59,700 in 2018. ORA accepts CWS's methodology; however, ORA's plant
18 witness reduced the incremental amortized tank painting expense in 2017 and 2018 to
19 \$55,700 per year.

20 *xiv. Salinas*

21 In Salinas, CWS proposes \$769,200 for Test Year 2017. ORA recommends \$755,200, a
22 difference of \$14,000. CWS's estimate is based on the five-year historical average,
23 adjusted for inflation. CWS adds \$16,100 incremental amortized tank painting expense
24 authorized in the last GRC, and \$14,000 for Chromium 6 treatment. ORA also used the
25 five-year historical average expense, included the tank painting expense, and for the same
26 reasons discussed in Dixon district excluded the \$14,000 for Chromium 6 treatment
27 expense.

1 xv. Selma

2 In Selma, CWS requests \$87,200 for Test Year 2017. ORA recommends \$76,600, a
3 difference of \$10,600. CWS and ORA both used a five-year historical average (2010 –
4 2014), plus inflation. CWS’s estimate is higher because it includes expenses recorded in
5 2011 that should have been removed from forecasting for the Test Year. In ORA data
6 request PXS 021, ORA inquired about the unusually high amount of \$177,000 recorded
7 for 2011, compared to the \$85,000 or less recorded in the remaining four. CWS
8 responded that in 2011, it was necessary to repair the tank overflow basin/drain at Station
9 20 which had failed due to an engineering flaw. The overflow basin/drain was re-
10 engineered and rebuilt at a cost of \$48,000. Although CWS considers such a repair to be
11 within the regular course of business, ORA considers this expense as a non-recurring
12 item since it was specific to a design flaw that has been corrected. Since the apparatus
13 has been reengineered and rebuilt, it should not be expected to require the same level of
14 expense in the Test Year. ORA’s estimate is based on a recorded average that excludes
15 this non-recurring expense.

16 xvi. Visalia

17 In Visalia, CWS requests \$877,900 for Test Year 2017. ORA recommends \$644,500, a
18 difference of \$233,400. CWS and ORA both used a five-year historical average adjusted
19 for inflation to estimate the base contracted maintenance expense. In addition to the base
20 contracted maintenance expense, CWS proposes two new well rehabilitation projects for
21 2017 totaling \$223,500. CWS’s estimate is much higher than ORA because CWS
22 incorrectly carried forward into the Test Year amounts for two well rehabilitation projects
23 from 2015 in the amount of \$212,800. CWS also added inflation to this over-estimate.
24 ORA correctly adds inflation to the base contracted maintenance expense based on the
25 historical data and only adds the new well rehabilitation projects totaling \$223,400
26 scheduled for 2017 to the Test Year.

27 **D. CONCLUSION**

28 In many districts ORA agreed with CWS’s estimates where it was determined that CWS
29 performed a reasonable forecast. For those districts and expenses where ORA found

1 errors and inclusion of unusual or expenses that are not likely to occur in this rate cycle,
2 ORA made appropriate corrections/adjustments. ORA's recommendation provides CWS
3 with adequate funding to provide safe and reliable service to ratepayers. ORA
4 recommends the Commission adopt ORA's recommendation as to the level of expenses
5 and methodologies used for each district.

6 Specific to Bakersfield, the Commission should deny CWS's request to allow recovery of
7 costs associated with the SBK Water Treatment Plant, through Water Treatment Expense
8 as an extraordinary loss, since this project was never reviewed or authorized by the
9 Commission. The inclusion of CWS's folly would over-burden ratepayers with the cost
10 of an unauthorized, unbuilt project that provides them no benefit, and would amount to
11 retroactive ratemaking.

TABLES: OPERATION & MAINTENANCE EXPENSES COMPARISON

Table 2-1: O&M Expenses - Antelope Valley District

Operations & Maintenance - Antelope Valley	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$56,100	\$56,100	\$0	0%
Purchased Power	\$124,700	\$124,600	-\$100	-0.1%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$1,100	\$1,100	\$0	0%
Uncollectibles	0.755%	0.755%	0	0%
Postage	\$5,700	\$5,700	\$0	0%
Transportation Oper.	\$84,600	\$84,600	\$0	0%
Source of Supply	\$500	\$500	\$0	0%
Pumping	\$19,900	\$19,900	\$0	0%
Water Treatment	\$48,800	\$48,800	\$0	0%
Transmission & Distribution	\$43,900	\$43,900	\$0	0%
Customer Accounting	\$45,900	\$45,900	\$0	0%
Transportation Maint.	\$2,000	\$2,000	\$0	0%
Stores	\$500	\$500	\$0	0%
Contracted Maintenance	\$103,800	\$103,800	\$0	0%

Table 2-2: O&M Expenses - Bakersfield District

Operations & Maintenance - Bakersfield	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$11,100,600	\$11,100,600	\$0	0%
Purchased Power	\$6,899,100	\$6,847,900	-\$51,200	-1%
Pump Taxes	\$1,600,200	\$1,579,300	-\$20,900	-1%
Chemicals	\$337,100	\$333,600	-\$3,500	-1%
Uncollectibles	0.630%	0.630%	0	0%
Postage	\$300,700	\$307,800	\$7,100	2%
Transportation Oper.	\$607,400	\$607,400	\$0	0%
Source of Supply	\$800	\$800	\$0	0%
Pumping	\$203,600	\$203,600	\$0	0%
Water Treatment	\$392,700	\$872,100	\$479,400	122%
Transmission & Distribution	\$461,700	\$461,700	\$0	0%
Customer Accounting	\$394,300	\$458,500	\$64,200	16%
Transportation Maint.	\$195,700	\$195,700	\$0	0%
Stores	\$376,800	\$376,800	\$0	0%
Contracted Maintenance	\$1,829,300	\$1,829,300	\$0	0%

1

Table 2-3: O&M Expenses - Bayshore District

Operations & Maintenance - Bayshore	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$42,959,000	\$43,037,600	\$78,600	0%
Purchased Power	\$633,000	\$634,200	\$1,200	0%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$82,000	\$216,000	\$134,000	163%
Uncollectibles	0.058%	0.082%	0	41%
Postage	\$221,400	\$221,400	\$0	0%
Transportation Oper.	\$259,500	\$259,500	\$0	0%
Source of Supply	\$45,400	\$45,400	\$0	0%
Pumping	\$228,600	\$228,600	\$0	0%
Water Treatment	\$102,200	\$102,200	\$0	0%
Transmission & Distribution	\$218,000	\$218,000	\$0	0%
Customer Accounting	\$306,400	\$306,400	\$0	0%
Transportation Maint.	\$87,000	\$87,000	\$0	0%
Stores	\$101,600	\$101,600	\$0	0%
Contracted Maintenance	\$972,000	\$989,100	\$17,100	2%

2

3

Table 2-4: O&M Expenses – Bear Gulch District

Operations & Maintenance - Bear Gulch	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$24,760,300	\$24,903,100	\$142,800	1%
Purchased Power	\$749,500	\$754,000	\$4,500	1%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$107,800	\$107,800	\$0	0%
Uncollectibles	0.078%	0.078%	0	0%
Postage	\$78,500	\$78,600	\$100	0.1%
Transportation Oper.	\$202,100	\$202,100	\$0	0%
Source of Supply	\$23,200	\$36,900	\$13,700	59%
Pumping	\$83,500	\$83,500	\$0	0%
Water Treatment	\$79,700	\$79,700	\$0	0%
Transmission & Distribution	\$253,700	\$253,700	\$0	0%
Customer Accounting	\$223,400	\$223,400	\$0	0%
Transportation Maint.	\$80,900	\$80,900	\$0	0%
Stores	\$109,400	\$109,400	\$0	0%
Contracted Maintenance	\$856,600	\$871,500	\$14,900	2%

4

5

6

Table 2-5: O&M Expenses – Chico District

Operations & Maintenance - Chico	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$0	\$0	\$0	0%
Purchased Power	\$1,939,700	\$1,945,800	\$6,100	0%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$142,100	\$174,100	\$32,000	23%
Uncollectibles	0.176%	0.191%	0	9%
Postage	\$120,500	\$128,700	\$8,200	7%
Transportation Oper.	\$208,200	\$208,200	\$0	0%
Source of Supply	\$0	\$0	\$0	0%
Pumping	\$138,700	\$138,700	\$0	0%
Water Treatment	\$108,300	\$146,100	\$37,800	35%
Transmission & Distribution	\$125,900	\$163,700	\$37,800	30%
Customer Accounting	\$219,000	\$219,000	\$0	0%
Transportation Maint.	\$47,700	\$47,700	\$0	0%
Stores	\$97,700	\$97,700	\$0	0%
Contracted Maintenance	\$316,800	\$316,800	\$0	0%

Table 2-6: O&M Expenses – Dixon District

Operations & Maintenance - Dixon	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$0	\$0	\$0	0%
Purchased Power	\$124,100	\$124,200	\$100	0.1%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$12,500	\$12,900	\$400	3%
Uncollectibles	0.313%	0.353%	0	13%
Postage	\$12,000	\$12,000	\$0	0%
Transportation Oper.	\$29,800	\$29,800	\$0	0%
Source of Supply	\$0	\$0	\$0	0%
Pumping	\$32,300	\$32,300	\$0	0%
Water Treatment	\$49,000	\$117,400	\$68,400	140%
Transmission & Distribution	\$23,100	\$23,100	\$0	0%
Customer Accounting	\$51,900	\$51,900	\$0	0%
Transportation Maint.	\$14,600	\$14,600	\$0	0%
Stores	\$8,000	\$8,000	\$0	0%
Contracted Maintenance	\$60,200	\$121,200	\$61,000	101%

Table 2-7: O&M Expenses – Dominguez District

Operations & Maintenance - Dominguez	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$40,787,400	\$34,883,100	-\$5,904,300	-14%
Purchased Power	\$954,100	\$850,100	-\$104,000	-11%
Pump Taxes	\$3,424,300	\$3,424,300	\$0	0%
Chemicals	\$484,700	\$471,500	-\$13,200	-3%
Uncollectibles	0.101%	0.184%	0	82%
Postage	\$139,700	\$139,700	\$0	0%
Transportation Oper.	\$223,900	\$264,100	\$40,200	18%
Source of Supply	\$56,000	\$57,300	\$1,300	2%
Pumping	\$78,300	\$87,800	\$9,500	12%
Water Treatment	\$206,800	\$211,700	\$4,900	2%
Transmission & Distribution	\$154,600	\$158,500	\$3,900	3%
Customer Accounting	\$227,200	\$275,700	\$48,500	21%
Transportation Maint.	\$98,400	\$116,100	\$17,700	18%
Stores	\$128,400	\$131,700	\$3,300	3%
Contracted Maintenance	\$692,300	\$931,400	\$239,100	35%

Table 2-8: O&M Expenses – East Los Angeles District

Operations & Maintenance - East Los Angeles	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$6,160,600	\$6,336,900	\$176,300	3%
Purchased Power	\$739,100	\$746,700	\$7,600	1%
Pump Taxes	\$2,947,700	\$2,947,700	\$0	0%
Chemicals	\$140,800	\$303,200	\$162,400	115%
Uncollectibles	0.186%	0.195%	0	5%
Postage	\$113,100	\$113,200	\$100	0%
Transportation Oper.	\$175,700	\$175,700	\$0	0%
Source of Supply	\$22,000	\$22,000	\$0	0%
Pumping	\$56,600	\$56,600	\$0	0%
Water Treatment	\$433,000	\$433,000	\$0	0%
Transmission & Distribution	\$197,900	\$197,900	\$0	0%
Customer Accounting	\$222,200	\$222,200	\$0	0%
Transportation Maint.	\$110,100	\$110,100	\$0	0%
Stores	\$130,000	\$130,000	\$0	0%
Contracted Maintenance	\$453,300	\$902,100	\$448,800	99%

1

Table 2-9: O&M Expenses - Hermosa Redondo District

Operations & Maintenance - Hermosa Redondo	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$11,586,000	\$11,525,600	-\$60,400	-1%
Purchased Power	\$383,000	\$381,400	-\$1,600	-0.4%
Pump Taxes	\$581,900	\$581,900	\$0	0%
Chemicals	\$76,800	\$76,800	\$0	0%
Uncollectibles	0.081%	0.081%	0	0%
Postage	\$110,200	\$110,200	\$0	0%
Transportation Oper.	\$146,100	\$170,500	\$24,400	17%
Source of Supply	\$18,400	\$18,400	\$0	0%
Pumping	\$73,800	\$73,800	\$0	0%
Water Treatment	\$76,400	\$76,400	\$0	0%
Transmission & Distribution	\$75,100	\$75,100	\$0	0%
Customer Accounting	\$118,200	\$118,200	\$0	0%
Transportation Maint.	\$62,800	\$73,300	\$10,500	17%
Stores	\$96,000	\$96,000	\$0	0%
Contracted Maintenance	\$233,900	\$236,300	\$2,400	1%

2

3

4

Table 2-10: O&M Expenses - Kern River Valley District

Operations & Maintenance - Kern River Valley	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$39,300	\$39,300	\$0	0%
Purchased Power	\$318,100	\$320,700	\$2,600	1%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$81,100	\$82,000	\$900	1%
Uncollectibles	0.714%	0.714%	0	0%
Postage	\$18,200	\$18,400	\$200	1%
Transportation Oper.	\$132,500	\$132,500	\$0	0%
Source of Supply	\$0	\$0	\$0	0%
Pumping	\$23,200	\$23,200	\$0	0%
Water Treatment	\$155,400	\$155,400	\$0	0%
Transmission & Distribution	\$246,400	\$246,400	\$0	0%
Customer Accounting	\$93,000	\$93,000	\$0	0%
Transportation Maint.	\$3,700	\$3,700	\$0	0%
Stores	\$200	\$200	\$0	0%
Contracted Maintenance	\$142,700	\$142,700	\$0	0%

5

6

7

Table 2-11: O&M Expenses – King City District

Operations & Maintenance - King City	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$0	\$0	\$0	0%
Purchased Power	\$128,100	\$129,400	\$1,300	1%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$50,100	\$50,600	\$500	1%
Uncollectibles	0.406%	0.406%	0	0%
Postage	\$10,800	\$10,800	\$0	0%
Transportation Oper.	\$25,700	\$25,700	\$0	0%
Source of Supply	\$0	\$0	\$0	0%
Pumping	\$25,600	\$25,600	\$0	0%
Water Treatment	\$31,100	\$31,100	\$0	0%
Transmission & Distribution	\$17,000	\$17,000	\$0	0%
Customer Accounting	\$72,200	\$72,200	\$0	0%
Transportation Maint.	\$10,600	\$10,600	\$0	0%
Stores	\$2,300	\$2,300	\$0	0%
Contracted Maintenance	\$30,100	\$45,200	\$15,100	50%

Table 2-12: O&M Expenses – Livermore District

Operations & Maintenance - Livermore	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$8,497,900	\$8,265,300	-\$232,600	-3%
Purchased Power	\$619,300	\$618,500	-\$800	0%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$94,900	\$101,000	\$6,100	6%
Uncollectibles	0.124%	0.124%	0	0%
Postage	\$77,100	\$77,100	\$0	0%
Transportation Oper.	\$105,000	\$105,000	\$0	0%
Source of Supply	\$104,200	\$104,200	\$0	0%
Pumping	\$60,900	\$60,900	\$0	0%
Water Treatment	\$56,600	\$56,600	\$0	0%
Transmission & Distribution	\$71,500	\$71,500	\$0	0%
Customer Accounting	\$148,600	\$148,600	\$0	0%
Transportation Maint.	\$40,100	\$40,100	\$0	0%
Stores	\$49,500	\$49,500	\$0	0%
Contracted Maintenance	\$282,300	\$284,400	\$2,100	1%

1

Table 2-13: O&M Expenses – Los Altos District

Operations & Maintenance - Los Altos	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$8,417,100	\$8,417,100	\$0	0%
Purchased Power	\$1,330,900	\$1,330,100	-\$800	-0.1%
Pump Taxes	\$5,613,700	\$5,606,100	-\$7,600	-0.1%
Chemicals	\$89,200	\$96,300	\$7,100	8%
Uncollectibles	0.032%	0.029%	0	-9%
Postage	\$78,000	\$79,600	\$1,600	2%
Transportation Oper.	\$163,500	\$163,500	\$0	0%
Source of Supply	\$0	\$0	\$0	0%
Pumping	\$62,300	\$62,300	\$0	0%
Water Treatment	\$102,100	\$102,100	\$0	0%
Transmission & Distribution	\$238,900	\$238,900	\$0	0%
Customer Accounting	\$165,400	\$165,400	\$0	0%
Transportation Maint.	\$44,300	\$44,300	\$0	0%
Stores	\$62,800	\$62,800	\$0	0%
Contracted Maintenance	\$465,000	\$419,600	-\$45,400	-10%

2

3

4

Table 2-14: O&M Expenses – Marysville District

Operations & Maintenance - Marysville	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$0	\$0	\$0	0%
Purchased Power	\$161,600	\$167,700	\$6,100	4%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$15,900	\$16,400	\$500	3%
Uncollectibles	0.259%	0.323%	0	25%
Postage	\$15,400	\$15,700	\$300	2%
Transportation Oper.	\$43,200	\$43,200	\$0	0%
Source of Supply	(\$200)	(\$200)	\$0	0%
Pumping	\$15,000	\$15,000	\$0	0%
Water Treatment	\$71,100	\$71,100	\$0	0%
Transmission & Distribution	\$23,700	\$23,700	\$0	0%
Customer Accounting	\$62,400	\$62,400	\$0	0%
Transportation Maint.	\$10,700	\$10,700	\$0	0%
Stores	\$9,800	\$9,800	\$0	0%
Contracted Maintenance	\$34,700	\$34,700	\$0	0%

5

1

Table 2-15: O&M Expenses – Oroville District

Operations & Maintenance - Oroville	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$304,900	\$304,900	\$0	0%
Purchased Power	\$138,200	\$133,600	-\$4,600	-3%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$48,400	\$48,400	\$0	0%
Uncollectibles	0.514%	0.514%	0	0%
Postage	\$14,800	\$15,300	\$500	3%
Transportation Oper.	\$88,400	\$88,400	\$0	0%
Source of Supply	\$32,900	\$32,900	\$0	0%
Pumping	\$9,300	\$9,300	\$0	0%
Water Treatment	\$35,300	\$35,300	\$0	0%
Transmission & Distribution	\$40,200	\$40,200	\$0	0%
Customer Accounting	\$65,100	\$65,100	\$0	0%
Transportation Maint.	\$7,200	\$7,200	\$0	0%
Stores	\$12,900	\$12,900	\$0	0%
Contracted Maintenance	\$83,000	\$83,000	\$0	0%

2

3

4

Table 2-16: O&M Expenses – Palos Verdes District

Operations & Maintenance - Palos Verdes	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$24,541,100	\$24,562,600	\$21,500	0%
Purchased Power	\$2,957,000	\$2,959,600	\$2,600	0%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$0	\$0	\$0	0%
Uncollectibles	0.068%	0.068%	0	0%
Postage	\$99,000	\$99,000	\$0	0%
Transportation Oper.	\$173,300	\$202,200	\$28,900	17%
Source of Supply	\$10,900	\$10,900	\$0	0%
Pumping	\$95,000	\$95,000	\$0	0%
Water Treatment	\$49,500	\$49,500	\$0	0%
Transmission & Distribution	\$196,100	\$196,100	\$0	0%
Customer Accounting	\$185,600	\$185,600	\$0	0%
Transportation Maint.	\$73,400	\$85,600	\$12,200	17%
Stores	\$170,400	\$170,400	\$0	0%
Contracted Maintenance	\$400,100	\$400,100	\$0	0%

5

6

7

8

9

1

Table 2-17: O&M Expenses - Redwood Valley District, Lucerne

Operations & Maintenance - Redwood/Lucerne	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$15,300	\$14,900	-\$400	-3%
Purchased Power	\$113,600	\$110,100	-\$3,500	-3%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$36,600	\$35,400	-\$1,200	-3%
Uncollectibles	0.723%	0.723%	0	0%
Postage	\$5,300	\$5,300	\$0	0%
Transportation Oper.	\$29,100	\$29,100	\$0	0%
Source of Supply	\$1,400	\$1,400	\$0	0%
Pumping	\$700	\$11,000	\$10,300	1471%
Water Treatment	\$126,700	\$126,700	\$0	0%
Transmission & Distribution	\$14,000	\$14,000	\$0	0%
Customer Accounting	\$66,000	\$66,000	\$0	0%
Transportation Maint.	\$7,400	\$7,400	\$0	0%
Stores	\$100	\$100	\$0	0%
Contracted Maintenance	\$80,800	\$80,800	\$0	0%

2

3

4

Table 2-18: O&M Expenses – Redwood Valley District, Unified

Operations & Maintenance - Redwood/Unified	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$16,000	\$15,800	-\$200	-1%
Purchased Power	\$14,000	\$12,400	-\$1,600	-11%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$1,600	\$1,600	\$0	0%
Uncollectibles	0.717%	0.717%	0	0%
Postage	\$1,900	\$1,900	\$0	0%
Transportation Oper.	\$11,000	\$11,000	\$0	0%
Source of Supply	\$500	\$500	\$0	0%
Pumping	\$19,100	\$19,100	\$0	0%
Water Treatment	\$22,500	\$22,500	\$0	0%
Transmission & Distribution	\$6,600	\$6,600	\$0	0%
Customer Accounting	\$27,600	\$27,600	\$0	0%
Transportation Maint.	\$6,700	\$6,700	\$0	0%
Stores	\$0	\$0	\$0	0%
Contracted Maintenance	\$33,800	\$33,800	\$0	0%

5

6

7

8

9

Table 2-19: O&M Expenses – Redwood Valley District, Coast Springs

Operations & Maintenance - Redwood/Coast Springs	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$5,700	\$3,400	-\$2,300	-40%
Purchased Power	\$9,000	\$9,000	\$0	0%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$3,900	\$3,900	\$0	0%
Uncollectibles	0.034%	0.034%	0	0%
Postage	\$1,000	\$1,000	\$0	0%
Transportation Oper.	\$4,500	\$4,500	\$0	0%
Source of Supply	\$600	\$3,600	\$3,000	500%
Pumping	\$1,300	\$5,500	\$4,200	323%
Water Treatment	\$73,800	\$73,800	\$0	0%
Transmission & Distribution	\$5,900	\$5,900	\$0	0%
Customer Accounting	\$14,800	\$14,800	\$0	0%
Transportation Maint.	\$2,200	\$2,200	\$0	0%
Stores	\$0	\$0	\$0	0%
Contracted Maintenance	\$12,900	\$12,900	\$0	0%

Table 2-20: O&M Expenses – Salinas District

Operations & Maintenance - Salinas	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$0	\$0	\$0	0%
Purchased Power	\$2,063,500	\$2,096,100	\$32,600	2%
Pump Taxes	\$62,700	\$62,700	\$0	0%
Chemicals	\$224,200	\$260,200	\$36,000	16%
Uncollectibles	0.250%	0.250%	0	0%
Postage	\$119,900	\$120,000	\$100	0%
Transportation Oper.	\$265,600	\$265,600	\$0	0%
Source of Supply	(\$200)	\$9,000	\$9,200	-4600%
Pumping	\$238,000	\$249,000	\$11,000	5%
Water Treatment	\$1,580,400	\$1,594,400	\$14,000	1%
Transmission & Distribution	\$158,200	\$158,200	\$0	0%
Customer Accounting	\$315,800	\$315,800	\$0	0%
Transportation Maint.	\$107,900	\$107,900	\$0	0%
Stores	\$115,300	\$115,300	\$0	0%
Contracted Maintenance	\$755,200	\$769,200	\$14,000	2%

Table 2-21: O&M Expenses – Selma District

Operations & Maintenance - Selma	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$0	\$0	\$0	0%
Purchased Power	\$388,600	\$373,800	-\$14,800	-4%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$19,200	\$18,500	-\$700	-4%
Uncollectibles	0.310%	0.310%	0	0%
Postage	\$27,500	\$27,100	-\$400	-1%
Transportation Oper.	\$50,600	\$50,600	\$0	0%
Source of Supply	\$0	\$0	\$0	0%
Pumping	\$38,700	\$38,700	\$0	0%
Water Treatment	\$42,900	\$42,900	\$0	0%
Transmission & Distribution	\$34,900	\$34,900	\$0	0%
Customer Accounting	\$97,900	\$97,900	\$0	0%
Transportation Maint.	\$24,900	\$24,900	\$0	0%
Stores	\$18,300	\$18,300	\$0	0%
Contracted Maintenance	\$76,600	\$87,200	\$10,600	14%

Table 2-22: O&M Expenses – Stockton District

Operations & Maintenance - Stockton	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$10,120,100	\$10,120,100	\$0	0%
Purchased Power	\$684,200	\$689,800	\$5,600	1%
Pump Taxes	\$1,269,300	\$1,317,400	\$48,100	4%
Chemicals	\$51,700	\$53,600	\$1,900	4%
Uncollectibles	0.890%	0.890%	0	0%
Postage	\$181,700	\$181,800	\$100	0%
Transportation Oper.	\$311,800	\$311,800	\$0	0%
Source of Supply	\$0	\$0	\$0	0%
Pumping	\$92,300	\$92,300	\$0	0%
Water Treatment	\$120,100	\$120,100	\$0	0%
Transmission & Distribution	\$280,500	\$280,500	\$0	0%
Customer Accounting	\$321,900	\$321,900	\$0	0%
Transportation Maint.	\$117,900	\$117,900	\$0	0%
Stores	\$207,300	\$207,300	\$0	0%
Contracted Maintenance	\$534,500	\$534,500	\$0	0%

1

Table 2-23: O&M Expenses – Visalia District

Operations & Maintenance - Visalia <i>Note: The following numbers reflect CWS's original data for 2014 as filed in A.15-07-015.</i>	Test Year 2017			
	ORA	CWS July Filing	CWS>ORA	%
Purchased Water	\$0	\$0	\$0	\$0
Purchased Power	\$2,073,200	\$2,220,900	\$147,700	7%
Pump Taxes	\$489,500	\$524,400	\$34,900	7%
Chemicals	\$89,700	\$96,000	\$6,300	7%
Uncollectibles	0.356%	0.356%	\$0	0%
Postage	\$181,100	\$187,000	\$5,900	3%
Transportation Oper.	\$316,400	\$315,900	-\$500	0%
Source of Supply	\$2,600	\$9,400	\$6,800	262%
Pumping	\$174,000	\$172,800	-\$1,200	-1%
Water Treatment	\$234,100	\$229,500	-\$4,600	-2%
Transmission & Distribution	\$134,900	\$139,300	\$4,400	3%
Customer Accounting	\$281,900	\$229,100	-\$52,800	-19%
Transportation Maint.	\$98,900	\$98,400	-\$500	-1%
Stores	\$78,800	\$77,900	-\$900	-1%
Contracted Maintenance	\$644,500	\$877,900	\$233,400	36%
Operations & Maintenance - Visalia <i>Note: The highlighted forecasted expenses rely on updated 2014 recorded data provided by CWS in October 2015. ORA's estimates use the updated data.</i>	Test Year 2017			
	ORA	CWS Oct. 2015 Update	CWS>ORA	%
Purchased Water	\$0	\$0	\$0	\$0
Purchased Power	\$2,073,200	\$2,220,900	\$147,700	7%
Pump Taxes	\$489,500	\$524,400	\$34,900	7%
Chemicals	\$89,700	\$96,100	\$6,400	7%
Uncollectibles	0.356%	\$0	\$0	0%
Postage	\$181,100	\$187,900	\$6,800	4%
Transportation Oper.	\$316,400	\$316,400	\$0	0%
Source of Supply	\$2,600	\$9,400	\$6,800	262%
Pumping	\$174,000	\$174,000	\$0	0%
Water Treatment	\$234,100	\$234,100	\$0	0%
Transmission & Distribution	\$134,900	\$134,900	\$0	0%
Customer Accounting	\$281,900	\$281,900	\$0	0%
Transportation Maint.	\$98,900	\$98,900	\$0	0%
Stores	\$78,800	\$78,800	\$0	0%
Contracted Maintenance	\$644,500	\$869,000	\$224,500	35%

2

3

1

Table 2-24: O&M Expenses – Westlake District

Operations & Maintenance - Westlake	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$10,518,100	\$10,557,000	\$38,900	0.4%
Purchased Power	\$300,400	\$301,700	\$1,300	0.4%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$200	\$1,100	\$900	450%
Uncollectibles	0.028%	0.064%	0	129%
Postage	\$29,200	\$29,200	\$0	0%
Transportation Oper.	\$50,200	\$58,500	\$8,300	17%
Source of Supply	\$300	\$300	\$0	0%
Pumping	\$46,400	\$46,400	\$0	0%
Water Treatment	\$40,100	\$40,100	\$0	0%
Transmission & Distribution	\$34,700	\$34,700	\$0	0%
Customer Accounting	\$69,200	\$78,700	\$9,500	14%
Transportation Maint.	\$35,100	\$42,100	\$7,000	20%
Stores	\$6,900	\$6,900	\$0	0%
Contracted Maintenance	\$109,200	\$109,200	\$0	0%

2

3

4

Table 2-25: O&M Expenses – Willows District

Operations & Maintenance - Willows	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$0	\$0	\$0	0%
Purchased Power	\$110,200	\$117,300	\$7,100	6%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$7,000	\$7,500	\$500	7%
Uncollectibles	0.412%	0.412%	0	0%
Postage	\$9,900	\$10,800	\$900	9%
Transportation Oper.	\$16,300	\$16,300	\$0	0%
Source of Supply	\$0	\$0	\$0	0%
Pumping	\$13,200	\$13,200	\$0	0%
Water Treatment	\$22,300	\$100,400	\$78,100	350%
Transmission & Distribution	\$22,400	\$22,400	\$0	0%
Customer Accounting	\$45,900	\$45,900	\$0	0%
Transportation Maint.	\$4,800	\$4,800	\$0	0%
Stores	\$4,500	\$4,500	\$0	0%
Contracted Maintenance	\$69,800	\$92,500	\$22,700	33%

5

6

1 **Table 2-26: O&M Expenses – Customer Support Services / General Office**

Operations & Maintenance - Customer Support Services/General Office	Test Year 2017			
	ORA	CWS	CWS > ORA	%
Purchased Water	\$0	\$0	\$0	0%
Purchased Power	\$0	\$0	\$0	0%
Pump Taxes	\$0	\$0	\$0	0%
Chemicals	\$0	\$0	\$0	0%
Uncollectibles	0.000%	0.000%	0	0%
Postage	\$0	\$0	\$0	0%
Transportation Oper.	\$246,200	\$275,300	\$29,100	12%
Source of Supply	\$1,300	\$1,300	\$0	0%
Pumping	\$27,800	\$27,800	\$0	0%
Water Treatment	\$356,900	\$356,900	\$0	0%
Transmission & Distribution	\$200,700	\$249,600	\$48,900	24%
Customer Accounting	\$3,185,600	\$3,496,300	\$310,700	10%
Transportation Maint.	\$35,500	\$42,800	\$7,300	21%
Stores	\$100	\$100	\$0	0%
2 Purchased Services	\$243,800	\$243,800	\$0	0%

Chapter 3: ADMINISTRATIVE AND GENERAL EXPENSES

A. INTRODUCTION

This chapter presents ORA's Administrative and General Expenses (A&G) analysis and recommendation estimates for all of California Water Service Company's (CWS) districts. ORA's discussions presented herein focus on adjustments made to CWS's estimates. The resulting adjusted estimates are reflected in ORA's Results of Operations (RO) tables included in its ORA's Company-Wide Report on Results of Operation.

In addition, as explained in Chapter 1 of this report, ORA accepts CWS's application of escalation factors when correctly applied.

B. SUMMARY OF RECOMMENDATIONS

Table 3-A shows a comparison between CWS's Proposed A&G Expenses and ORA's Recommended Expenses broken down by each district and CSS for Test Year 2017. Amounts for Payroll, Benefits, Administrative Charges Transferred, Workers' Compensation, Amortization of Limited Term Investment and A&G Salaries that also comprise A&G are discussed in other ORA reports.

1

Table 3-A: A&G Expenses Comparison

District	2017 CWS Proposed	2017 ORA Proposed	CWS>ORA
Antelope Valley	\$327,200	\$250,600	\$76,600
Bakersfield	\$4,309,000	\$3,060,000	\$1,249,000
Bayshore	\$2,677,600	\$2,063,300	\$614,300
Bear Gulch	\$2,250,000	\$1,811,700	\$438,300
Chico	\$2,433,100	\$1,901,200	\$531,900
Dixon	\$382,000	\$314,500	\$67,500
Dominguez	\$3,629,700	\$2,955,900	\$673,800
East Los Angeles	\$2,516,200	\$1,891,100	\$625,100
Hermosa Redondo	\$2,048,700	\$1,287,200	\$761,500
Kern River Valley	\$644,400	\$510,800	\$133,600
King City	\$422,900	\$315,700	\$107,200
Livermore	\$1,000,700	\$757,700	\$243,000
Los Altos	\$1,598,100	\$1,238,400	\$359,700
Marysville	\$425,300	\$378,600	\$46,700
Oroville	\$687,900	\$544,600	\$143,300
Palos Verdes	\$2,106,100	\$1,527,300	\$578,800
Redwood Coast Springs	\$53,200	\$36,200	\$17,000
Redwood Lucerne	\$395,000	\$311,000	\$84,000
Redwood Unified	\$95,200	\$80,400	\$14,800
Salinas	\$2,753,900	\$2,191,100	\$562,800
Selma	\$605,100	\$485,300	\$119,800
Stockton	\$3,292,400	\$2,615,700	\$676,700
Visalia	\$3,156,700	\$2,561,500	\$595,200
Westlake	\$560,300	\$536,000	\$24,300
Willows	\$446,500	\$277,100	\$169,400
Total	\$38,817,200	\$29,902,900	\$8,914,300

2

3 ORA's review of A&G expenses included the methodologies used, inputs including
4 historical data, inflation and the inclusion of any new expenses. ORA reviewed and
5 analyzed the application, workpapers, reports on the results of operations and
6 supplemental information obtained through its data requests during discovery.

7 Below is ORA's discussion on the numerous A&G expense accounts. ORA describes the
8 methodologies used and the areas where ORA's estimates differ from CWS's proposed

estimates. The tables at the end of this report provide comparisons of CWS's proposed Expenses with ORA recommended Expenses.

C. Districts A&G expenses

1. Payroll (A&G)

For A&G Payroll expense, please refer to ORA's Report on Payroll and Benefits.

2. Benefits

For A&G Benefits expense, please refer to ORA's Report on Payroll and Benefits.

3. Transportation (A&G)

Total Transportation expense for each district is allocated between Operations, Maintenance and A&G. CWS states that transportation expenses for operations, maintenance, and administrative purposes are estimated in aggregate. Some variations may occur between categories in the recorded period based on mileage reports. The Test Year estimate is allocated by the average distribution over the recorded period. Whenever CWS budgets for additional district vehicles, it increases the estimate of transportation expense in proportion to the impact on the total number of vehicles. This assumes the new vehicle's operating and maintenance costs are similar to the existing fleet.⁵⁰ The allocation factor (the split between Operations, Maintenance and A&G) used in the Test Year is determined by the average percent of use during the most recent recorded year (2014). Transportation expense for A&G includes the expense of mileage for production and distribution, and customer accounting. CWS uses the inflation-

⁵⁰ General Report of California Water Service, California Water Service Company, pg.45.

1 adjusted five-year historical average for estimating the expense amount required for the
2 Test Year. In Customer Support Services (CSS) or General Office (GO) where additional
3 vehicles are proposed, CWS adds the allocated estimated cost per vehicle (2014 recorded
4 expense divided by the number of vehicles) multiplied by the number of new vehicles
5 requested per year. ORA accept CWS's methodology since it is based on an average of
6 the historical data. ORA accepts CWS's estimate for Transportation A&G Expense for
7 all districts as presented in its filing except for Dominguez, Hermosa Redondo, Palos
8 Verdes and the Customer Support Services or General Office.

9 *a. Dominguez, Hermosa Redondo, Palos Verdes*

10 In the Dominguez, Hermosa Redondo and Palos Verdes Districts, CWS estimates \$1,100,
11 \$700 and \$700 respectively for Test Year 2017 A&G Transportation. ORA recommends
12 \$1,000, \$600 and \$600 for the Dominguez, Hermosa Redondo and Palos Verdes Districts
13 respectively for Test Year 2017 A&G Transportation, a difference of \$100 for each
14 district. CWS's estimates are based on the five-year historical average (2010 – 2014)
15 adjusted for inflation with the proposed addition of new vehicles (10 in 2016, 6 in 2017,
16 and 10 in 2018) which are then allocated between the three districts. ORA's estimates
17 are based on the five-year historical average (2010 – 2014) adjusted for inflation and the
18 removal of all the proposed new vehicles which were actually replacement vehicles as
19 explained in ORA's Plant Testimony for Dominguez, Hermosa Redondo and Palos
20 Verdes.

21 *b. Customer Support Services (CSS) or General Office (GO)*

22 At the Customer Support Services (CSS) or General Office (GO), CWS estimates
23 \$807,600 for Test Year 2017 A&G Transportation. ORA recommends \$666,600 for Test
24 Year 2017 A&G Transportation, a difference of \$141,000. CWS's estimate is based on
25 the most recent two-year average (2013 – 2014), which CWS did not provide a reason for
26 not using a five-year historical average, and the addition of 4 proposed new vehicles in
27 2015 and 1 proposed new vehicle in 2016. ORA's estimate is based on the five-year
28 historical average (2010 – 2014) adjusted for inflation and the removal of 3 proposed new

1 vehicles in 2015 and the proposed new vehicle in 2016 as disallowed in ORA's Report on
2 Plant – Customer Support Services.

3 4. Rents

4 CWS's estimates are based on whether CWS owns or leases the office of each particular
5 district. CWS then uses a historical average, last recorded year or last adopted year
6 adjusted for inflation. ORA reviewed and accepts CWS's estimates for Rents Expense
7 for all districts as presented in its filing except for Redwood Valley - Lucerne, Redwood
8 Valley - Unified and Westlake.

9 a. *Redwood Valley – Lucerne and Redwood Valley - Unified*

10 For the Redwood Valley District - Lucerne and Unified service areas, CWS estimates
11 \$20,700 and \$8,600 respectively for Test Year 2017. CWS's estimates are based on the
12 last adopted Test Year 2014 amounts of \$19,400 and \$8,100 respectively adjusted for
13 inflation.

14 CWS did not give a reason why the last adopted test year amounts were used. CWS
15 owns the property where the Redwood Valley Lucerne office is located⁵¹ and does
16 include it in rate base.⁵² It has had no Rent Expense for the past 4 years. For Redwood
17 Valley Unified, ORA's estimate is based on the last recorded year (2014) amount of
18 \$8,000 adjusted for inflation. The last recorded year more accurately reflects the

⁵¹ Report on the Results of Operation for the Redwood Valley District, California Water Service Company, pg.28.

⁵² Email response from Long Nguyen on 2-9-16

1 district's rent expense. ORA recommends \$0 and \$8,500 for the Redwood Valley
2 Lucerne and Redwood Valley Unified respectively for Test Year 2017.

3 ***b. Westlake***

4 For the Westlake District, CWS estimates \$50,800 for Test Year 2017. CWS's estimate
5 is based on the five-year historical average (2010-2014) of \$47,800 and adjusted for
6 inflation.

7 ORA's Test Year 2017 estimate of \$49,200 is based on the last recorded year (2014)
8 amount of \$46,200 adjusted for inflation. The last recorded year more accurately reflects
9 the district's rent expense.

10 **5. Administrative Charges Transferred**

11 Administrative Charges Transferred represents credits for unregulated activity. For
12 Administrative Charges Transferred, please refer to ORA's Company-Wide Report on
13 the Results of Operations.

14 **6. Workers' Compensation**

15 For Workers' Compensation, please refer to ORA's Report on Payroll and Benefits.

16 **7. Non-Specifics**

17 Non-Specifics Expense generally represents miscellaneous administrative and general
18 expenditures. The Non-Specifics account contains various sub-accounts. However,
19 CWS does not provide estimated amounts for each sub-account. Instead, it provides a

1 combined figure for Non-Specifics Expenses estimate for the 2017 Test Year based, in
2 general, on the five-year historical average (2010-2014) adjusted for inflation.

3 ORA sent Data Requests to CWS asking for more detail and the breakdown of the sub-
4 accounts.⁵³ CWS provided more itemization for the sub-accounts in its responses. As a
5 result, ORA reviewed all sub-accounts within Non-Specifics expense and made
6 appropriate adjustments to result with ORA's estimate. One general adjustment to all
7 districts was the removal of bank fees from the 2011 and 2012 historical recorded
8 amounts since CWS stated in its Data Request responses that credit card "swiping"
9 charges were being directly booked to each district during those years but began to be
10 booked to CSS (Customer Support Services) starting in January of 2013 and no longer
11 appear in the districts expenses.⁵⁴ ORA's additional adjustments to each specific district
12 are noted below.

13 *a. Antelope Valley, Bayshore, Bear Gulch, Dixon, Kern River Valley,*
14 *Livermore, Redwood Valley, Salinas, and Stockton*

15 For the Antelope Valley, Bayshore, Bear Gulch, Dixon, Kern River Valley, Livermore,
16 Redwood Valley, Salinas and Stockton Districts, CWS's estimates are based on the five-
17 year historical average (2010-2014) adjusted for inflation.

⁵³ CWS Response to ORA Data Request HMC-027 question 1.

⁵⁴ See CWS Response to ORA Data Request on this topic for each district HMC-005 question 2, HMC-012 question 2, HMC-013 question 2 and HMC-021 question 2, HMC-007 question 1, HMC-009 question 2, HMC-011, question 1, HMC-014 question 2, HMC-017 question 2, HMC-022 question 1 and HMC-025 question 2.

Based on the five-year historical average (2010-2014) adjusted for inflation, ORA recommends that the Commission adopt its estimates for A&G Non-Specifics Expense for the Districts in the table below:

Table 3-B: 2017 Non-Specifics Expenses

District	CWS Proposed	ORA Recommended	CWS Prop over ORA
Antelope Valley	\$13,300	\$12,400	\$900
Bayshore	\$168,700	\$133,200	\$35,500
Bear Gulch	\$77,500	\$64,800	\$12,700
Dixon	\$33,500	\$31,500	\$2,000
Kern River Valley	\$31,700	\$28,900	\$2,800
Livermore	\$53,300	\$41,000	\$12,300
Redwood Valley Coast Springs	\$17,600	\$17,400	\$200
Redwood Valley Lucerne	\$71,300	\$70,500	\$800
Redwood Valley Unified	\$21,700	\$21,400	\$300
Salinas	\$124,600	\$105,900	\$18,700
Stockton	\$208,500	\$179,600	\$28,900

b. Chico

For the Chico District, CWS estimates \$122,500 for Test Year 2017. CWS's estimate is based on the five-year historical average (2010-2014) adjusted for inflation.

Based on an error in the 2014 amount⁵⁵ and the five-year historical average (2010-2014) adjusted for inflation, ORA recommends that the Commission adopt its estimate of \$121,200 for Test Year 2017 for A&G Non-Specifics Expense for the Chico District.

⁵⁵ CWS Response to ORA Data Request HMC-007 question 2.

1 *c. Dominguez*

2 For the Dominguez District, CWS estimates \$558,400 for Test Year 2017. CWS's
3 estimate is based on the five-year historical average (2010-2014) adjusted for inflation.

4 Based on corrected escalation for the 2014 amount and the five-year historical average
5 (2010-2014) adjusted for inflation, ORA recommends that the Commission adopt its
6 estimate of \$532,000 for Test Year 2017 for A&G Non-Specifics Expense for the
7 Dominguez District.

8 *d. East Los Angeles*

9 For the East Los Angeles District, CWS estimates \$53,600 for Test Year 2017. CWS's
10 estimate is based on the five-year historical average (2010-2014) adjusted for inflation.

11 Based on correcting CWS coding and linking errors in the historical recorded amounts
12 where transportation expense was being included in the non-specifics totals and worker's
13 compensation was inadvertently included in the recorded payroll totals,⁵⁶ removal of
14 non-recurring legal fees⁵⁷, and the five-year historical average (2010-2014) adjusted for
15 inflation, ORA recommends that the Commission adopt its estimate of \$91,400 for Test
16 Year 2017 for A&G Non-Specifics Expense for the East Los Angeles District.

⁵⁶ CWS Response to ORA Data Request HMC-009 question 2 and HMC-027 question 1.

⁵⁷ CWS Response to ORA Data Request HMC-009 question 2.

e. Hermosa Redondo, Los Altos, and Palos Verdes

For the Hermosa Redondo, Los Altos and Palos Verdes Districts, CWS's estimates are based on the last recorded year (2014) adjusted for inflation.

CWS did not explain why the last recorded year amounts were used. Based on and the five-year historical average (2010-2014) adjusted for inflation which more appropriately captures past trends, ORA recommends that the Commission adopt its estimates for A&G Non-Specifics Expense for the Districts in the table below:

Table 3-C: 2017 Non-Specifics Expenses

District	CWS Proposed	ORA Recommended	CWS Prop over ORA
Hermosa Redondo	\$565,000	\$283,800	\$281,200
Los Altos	\$87,700	\$82,700	\$5,000
Palos Verdes	\$689,500	\$403,300	\$286,200

f. King City

For the King City District, CWS estimates \$13,700 for Test Year 2017. CWS's estimate is based on the last recorded year (2014) adjusted for inflation.

CWS did not explain why the last recorded year amount was used. Based on the bank fees adjustments and a four-year historical average (2011-2014) adjusted for inflation which more appropriately captures past trends since non-specifics amounts have been trending downward, ORA recommends that the Commission adopt its estimate of \$12,400 for Test Year 2017 for A&G Non-Specifics Expense for the King City District.

g. Marysville

For the Marysville District, CWS estimates (\$78,900) for Test Year 2017. CWS's estimate is based on the five-year historical average (2010-2014) adjusted for inflation. The negative estimate was the result of linking errors in CWS's spreadsheet formulas.

Based on correcting CWS linking errors where benefits were subtracted from non-specifics for 2009-2011 causing the credits for those years, the removal of non-recurring

1 legal fees in 2011⁵⁸ and a five-year historical average (2010-2014) adjusted for inflation,
2 ORA recommends that the Commission adopt its estimate of \$17,700 for Test Year 2017
3 for A&G Non-Specifics Expense for the Marysville District.

4 *h. Oroville*

5 For the Oroville District, CWS estimates \$43,300 for Test Year 2017. CWS's estimate is
6 based on the five-year historical average (2010-2014) adjusted for inflation.

7 Based on correcting CWS linking errors in historical recorded amounts⁵⁹ and the five-
8 year historical average (2010-2014) adjusted for inflation, ORA recommends that the
9 Commission adopt its estimate of \$16,000 for Test Year 2017 for A&G Non-Specifics
10 Expense for the Oroville District.

11 *i. Selma*

12 For the Selma District, CWS estimates \$48,700 for Test Year 2017. CWS's estimate is
13 based on the five-year historical average (2010-2014) adjusted for inflation.

14 Based on removal of relocation fees for 2012-2013⁶⁰ and the five-year historical average
15 (2010-2014) adjusted for inflation, ORA recommends that the Commission adopt its
16 estimate of \$33,600 for Test Year 2017 for A&G Non-Specifics Expense for the Selma
17 District.

⁵⁸ CWS Response to ORA Data Request HMC-015 question 3.

⁵⁹ CWS Response to ORA Data Request HMC-027 question 1.

⁶⁰ CWS Response to ORA Data Request HMC-022, question 1.

1 *j. Visalia*

2 For the Visalia District, CWS estimates \$222,700 for Test Year 2017. CWS's estimate is
3 based on the five-year historical average (2010-2014) adjusted for inflation.

4 Based on correcting CWS's linking errors in historical recorded amounts where 2014 was
5 mis-linked causing an error in the non-specifics totals⁶¹ and the five-year historical
6 average (2010-2014) adjusted for inflation, ORA recommends the Commission adopt its
7 estimate of \$119,500 for Test Year 2017 for A&G Non-Specifics Expense for the Visalia
8 District.

9 *k. Westlake*

10 For the Westlake District, CWS estimates \$35,800 for Test Year 2017. CWS's estimate
11 is based on the five-year historical average (2010-2014) adjusted for inflation.

12 Based on removal of non-recurring legal fees for 2014⁶² and the five-year historical
13 average (2010-2014) adjusted for inflation, ORA recommends the Commission adopt its
14 estimate of \$25,600 for Test Year 2017 for A&G Non-Specifics Expense for the
15 Westlake District.

⁶¹ CWS Response to ORA Data Request HMC-024 question 3.

⁶² CWS Response to ORA Data Request HMC-025 question 2.

1 ***1. Willows***

2 For the Willows District, CWS estimates \$0 for Test Year 2017. CWS's estimate is
3 supposed to be based on the five-year historical average (2010-2014) adjusted for
4 inflation but there was a linking error. The correct amount should be \$6,900.

5 Based on correcting CWS's linking errors in historical recorded amounts where worker's
6 compensation was inadvertently included in the recorded payroll totals which affected
7 non-specifics⁶³ and the five-year historical average (2010-2014) adjusted for inflation,
8 ORA recommends the Commission adopt its estimate of \$5,400 for Test Year 2017 for
9 A&G Non-Specifics Expense for the Willows District.

10 ***8. Amortization of Limited Term Investment***

11 This expense includes the amortization of any intangible assets. CWS bases its
12 Amortization of Limited Term Investment for Test Year 2017 estimate from the general
13 method for this expense shown on CWS's amortization schedule. ORA reviewed this
14 account and adopts CWS's methodology. Any difference in the amount is attributed to
15 plant adjustments.

16 ***9. Dues and Donations Adjustments***

17 CWS adjusts out non-allowable annual dues and donations for ratemaking purposes.
18 ORA recommends adjustments for Bayshore, Dominguez, Hermosa Redondo, Livermore
19 and Los Altos Districts. In the Bayshore, Livermore and Los Altos Districts CWS
20 neglected to include their adjustments in the A&G work paper so ORA included the

⁶³ CWS Response to ORA Data Request HMC-027 question 1.

adjustments in the final calculation for A&G. For Dominguez and Hermosa Redondo, ORA removed the dues associated with West Basin Water Association (WBWA). The WBWA involves in lobbying activities that do not offer any benefits to ratepayers.⁶⁴ The table below reflects ORA's adjustments:

Table 3-D: Dues and Donations Adjustments for Test Year 2017

District	CWS Proposed	ORA Recommended	Difference
Bayshore	\$0	(\$2,500)	\$2,500
Dominguez	\$0	(\$122,500)	\$122,500
Hermosa Redondo	(\$900)	(\$49,700)	\$48,800
Livermore	\$0	(\$3,500)	\$3,500
Los Altos	\$0	(\$2,000)	\$2,000

The following discussions are expenses pertaining to the Customer Support Services (CSS)/General Office (GO).

D. CSS A&G expenses

1. A&G Salaries

For A&G Salaries, please refer to ORA's Report on Payroll and Benefits.

2. Injuries and Damages

CWS estimated the Test Year 2017 Injuries and Damages amount to be \$4,416,000, which is based on workers compensation insurance, liability insurance and two other sub-accounts.

⁶⁴ <http://www.westbasinwaterassociation.com/Accomplishments.html>

1 CWS estimates the test year cost for workers' compensation insurance as \$2,638,100,
2 which is based on actuarial expectations described in the guidance from professional
3 actuaries at Milliman USA ("Milliman"). Milliman has analyzed the Company's
4 workers' compensation claims and expenses for the past four years and has obtained
5 detailed information from CWS's independent plan administrator, Matrix, who
6 specializes in third-party administration of workers' compensation plans.

7 CWS bases its estimate of liability insurance as the combination of insurance premiums
8 paid to independent insurance companies (including fees paid to insurance brokers) and a
9 provision for uninsured losses. CWS uses the services of Marsh Risk and Insurance
10 Services ("Marsh") for advice and placement of insurance. CWS's estimate of uninsured
11 losses is based on a five-year average experience of uninsured losses, which reflects its
12 current insurance policies and deductibles. Adjustments to recorded numbers were made
13 in the Injuries and Damages section for the expenses paid related to the Asbestos
14 Litigation Memorandum Account - \$300,000 for 2012 and \$100,000 for 2013.

15 Two other sub-accounts for this expense, sick leave credits and safety and training
16 expenses, are estimated using the most recent five-year recorded average. To properly
17 account for synergies, this account is evaluated including \$126,700 in adopted synergies.

18 ORA reviewed all calculations and assumptions used. ORA agrees with the methodology
19 used by CWS but the differences are due to the workers compensation, payroll additions
20 and company complement recommended in ORA's Report on Payroll and
21 Benefits. Thus, ORA recommends that the Commission adopt its estimate of \$4,368,300
22 for Test Year 2017 Injuries and Damages.

23 **3. Pensions and Benefits**

24 For Pensions and Benefits, please refer to ORA's Report on Payroll and Benefits.

25 **4. Regulatory Commission Expense**

26 CWS uses a four-year (2011-2014) average to estimate the CSS/GO Test Year 2017
27 Regulatory Commission Expense amount of \$197,000. ORA's estimate of \$172,300 for

1 the Test Year 2017 Regulatory Commission Expense is based on the five-year historical
2 average (2010 – 2014).

3 5. Outside Services (for CSS)

4 CWS has reviewed the overall level of expense in this account for the last five-year
5 period, including a review of component expenses from three major subcategories (legal
6 fees, outside auditing expense and other outside expense).⁶⁵ Accordingly, CWS
7 estimated this account using the five-year inflation-adjusted recorded average. As a
8 result, CWS's Test Year 2017 Outside Services amount of \$6,909,700 includes \$845,100
9 in adopted merger synergies to properly account for the Dominguez/CWS merger
10 synergies and adjustments to legal fees (i.e. \$402,100 for Stockton Litigation).

11 ORA reviewed all calculations and assumptions used. ORA agrees with the methodology
12 used by CWS but the only difference is that CWS corrected two calculations for Test
13 Year 2017. The first correction involves the Stockton East Litigation Memo Account in
14 the amount of \$402,117 that was erroneously included in the total legal expenses. This
15 amount was intended to be subtracted from the estimate instead of being added. The
16 second correction is that New Business expenses related to acquisition/merger with Park
17 Water Company were erroneously booked to legal expenses in the amount of \$144,661.⁶⁶
18 Thus, ORA recommends the corrected amount of \$6,105,500 be used for Outside
19 Services.

⁶⁵ General Report of California Water Service, California Water Service Company, July 2015, pg.74.

⁶⁶ CWS Response to ORA Data Request HMC-010 question 6.

1 **6. Miscellaneous General Expenses**

2 CWS uses an inflation-adjusted four-year (2011-2014) average to estimate its Test Year
3 2017 Miscellaneous General Expenses of \$2,985,500.

4 CWS did not explain the basis of using a four-year average (2011-2014). ORA's
5 estimate of \$2,733,700 for the Test Year 2017 is based on the five-year historical average
6 (2010 – 2014) adjusted for inflation. ORA's estimate captures more data points.

7 **E. CONCLUSION**

8 ORA's review and analysis of each request of CWS's Administrative and General
9 Expenses results in a level of expense that affords the company necessary funds to
10 conduct the provision of utility service and at the same time provides the ratepayer
11 protection from burdensome rates. ORA recommends the Commission adopt ORA's
12 recommendations.

13

TABLES: ADMINISTRATIVE & GENERAL EXPENSE COMPARISON

Table 3-1: A&G Expenses - Antelope Valley District

Administrative and General - Antelope Valley	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$13,800	\$13,800	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$12,400	\$13,300	\$900	7%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	\$0	\$0	\$0	0%

Table 3-2: A&G Expenses - Bakersfield District

Administrative and General - Bakersfield	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$7,400	\$7,400	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	(\$402,900)	(\$402,900)	\$0	0%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$600)	(\$600)	\$0	0%

1

Table 3-3: A&G Expenses - Bayshore District

Administrative and General - Bayshore	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$2,200	\$2,200	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$133,200	\$168,700	\$35,500	27%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$2,500)	\$0	\$2,500	-100%

2

Table 3-4: A&G Expenses – Bear Gulch District

Administrative and General - Bear Gulch	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	(\$100)	(\$100)	\$0	0%
Rents	\$98,800	\$98,800	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$64,800	\$77,500	\$12,700	20%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	\$0	\$0	\$0	0%

3

Table 3-5: A&G Expenses – Chico District

Administrative and General - Chico	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$2,100	\$2,100	\$0	0%
Rents	\$1,500	\$1,500	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$121,200	\$122,500	\$1,300	1%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$2,100)	(\$2,100)	\$0	0%

4

1

Table 3-6: A&G Expenses – Dixon District

Administrative and General - Dixon	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$15,700	\$15,700	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$31,500	\$33,500	\$2,000	6%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$300)	(\$300)	\$0	0%

2

Table 3-7: A&G Expenses – Dominguez District

Administrative and General - Dominguez	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$1,000	\$1,100	\$100	10%
Rents	\$190,300	\$190,300	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$532,000	\$558,400	\$26,400	5%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$122,500)	\$0	\$122,500	-100%

3

Table 3-8: A&G Expenses – East Los Angeles District

Administrative and General - East Los Angeles	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$27,400	\$27,400	\$0	0%
Rents	\$0	\$0	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$91,400	\$53,600	(\$37,800)	-41%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$1,000)	(\$1,000)	\$0	0%

4

1

Table 3-9: A&G Expenses – Hermosa Redondo District

Administrative and General - Hermosa Redondo	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$600	\$700	\$100	17%
Rents	\$0	\$0	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$283,800	\$565,000	\$281,200	99%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$49,700)	(\$900)	\$48,800	-98%

2

Table 3-10: A&G Expenses – Kern River Valley District

Administrative and General - Kern River Valley	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$2,300	\$2,300	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$28,900	\$31,700	\$2,800	10%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$100)	(\$100)	\$0	0%

3

Table 3-11: A&G Expenses – King City District

Administrative and General - King City	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$31,000	\$31,000	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$12,400	\$13,700	\$1,300	10%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$100)	(\$100)	\$0	0%

4

1

Table 3-12: A&G Expenses – Livermore District

Administrative and General - Livermore	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$34,500	\$34,500	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$41,000	\$53,300	\$12,300	30%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$3,500)	\$0	\$3,500	-100%

2

Table 3-13: A&G Expenses – Los Altos District

Administrative and General - Los Altos	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$80	\$80	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$82,700	\$87,700	\$5,000	6%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$2,000)	\$0	\$2,000	-100%

3

Table 3-14: A&G Expenses – Marysville District

Administrative and General - Marysville	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	(\$1,900)	(\$1,900)	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$17,700	(\$78,900)	(\$96,600)	-546%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$500)	(\$500)	\$0	0%

4

1

Table 3-16: A&G Expenses – Oroville District

Administrative and General - Oroville	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$49,400	\$49,400	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$16,000	\$43,300	\$27,300	171%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$300)	(\$300)	\$0	0%

2

Table 3-17: A&G Expenses – Palos Verdes District

Administrative and General - Palos Verdes	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$600	\$700	\$100	17%
Rents	\$0	\$0	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$403,300	\$689,500	\$286,200	71%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$700)	(\$700)	\$0	0%

3

Table 3-18: A&G Expenses – Redwood District, Coast Springs

Administrative and General - Redwood Coast Springs	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$0	\$0	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$17,400	\$17,600	\$200	1%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	\$0	\$0	\$0	0%

4

1

Table 3-19: A&G Expenses – Redwood District, Lucerne

Administrative and General - Redwood Lucerne	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$100	\$100	\$0	0%
Rents	\$0	\$20,700	\$20,700	20700000%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$70,500	\$71,300	\$800	1%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	\$0	\$0	\$0	0%

2

Table 3-20: A&G Expenses – Redwood District, Unified

Administrative and General - Redwood Unified	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$8,500	\$8,600	\$100	1%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$21,400	\$21,700	\$300	1%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	\$0	\$0	\$0	0%

3

Table 3-21: A&G Expenses – Salinas District

Administrative and General - Salinas	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$69,800	\$69,800	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$105,900	\$124,600	\$18,700	18%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$800)	(\$800)	\$0	0%

4

1

Table 3-22: A&G Expenses – Selma District

Administrative and General - Selma	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$35,800	\$33,100	(\$2,700)	-8%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$33,600	\$48,700	\$15,100	45%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$300)	(\$300)	\$0	0%

2

Table 3-23: A&G Expenses – Stockton District

Administrative and General - Stockton	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$7,800	\$7,800	\$0	0%
Rents	\$0	\$0	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$179,600	\$208,500	\$28,900	16%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$5,700)	(\$5,700)	\$0	0%

3

Table 3-24: A&G Expenses – Visalia District

Administrative and General - Visalia	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$33,700	\$33,600	(\$100)	0%
Rents	\$600	\$600	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$119,500	\$222,700	\$103,200	86%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$1,700)	(\$1,700)	\$0	0%

4

1

Table 3-25: A&G Expenses – Westlake District

Administrative and General - Westlake	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$49,200	\$50,800	\$1,600	3%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$25,600	\$35,800	\$10,200	40%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	\$0	\$0	\$0	0%

2

Table 3-26: A&G Expenses – Willows District

Administrative and General - Willows	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Benefits				
Transportation	\$0	\$0	\$0	0%
Rents	\$15,000	\$15,000	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Workers' Compensation				
Non-Specifics	\$5,400	\$0	(\$5,400)	-100%
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	\$0	\$0	\$0	0%

3

1

Table 3-27: A&G Expenses – Customer Support Services

Administrative and General - Customer Support Services	Test Year 2017			
	ORA	CWS	CWS>ORA	%
Payroll	See ORA's Result of Operations Table 4.1 - A&G			
Transporation	\$666,600	\$807,600	\$141,000	21%
A&G Salaries	See ORA's Result of Operations Table 4.1 - A&G			
Office Supplies	\$5,147,300	\$5,147,300	\$0	0%
Property Insurance	\$220,600	\$220,600	\$0	0%
Injuries and Damages	\$4,368,300	\$4,416,000	\$47,700	1%
Pensions and Benefits	See ORA's Result of Operations Table 4.1 - A&G			
Franchise Requirements	\$0	\$0	\$0	0%
Regulatory Commission Exp	\$172,300	\$197,000	\$24,700	14%
Outside Services	\$6,105,500	\$6,909,700	\$804,200	13%
Misc. General Expenses	\$2,733,700	\$2,985,500	\$251,800	9%
Maintenance of General Plant	See ORA's Result of Operations Table 4.1 - A&G			
Rents	\$185,700	\$185,700	\$0	0%
Admin Charges Transferred	See ORA's Result of Operations Table 4.1 - A&G			
Amort of Limited Term Inv	Calculations based on Plant in Table 7-1			
Dues and Donations	(\$259)	(\$259)	\$0	0%

2

3

Chapter 4: CONSERVATION

A. INTRODUCTION

This chapter presents ORA's water conservation expense analysis and estimates for each district for Test Year 2017 and Escalation Years 2018 and 2019. ORA's discussions presented herein focus on adjustments made to CWS's estimates. The resulting adjusted estimates are reflected in ORA's Results of Operations (RO) tables included in ORA's Company-Wide Report on Results of Operation.

B. SUMMARY OF RECOMMENDATIONS

California Water Service Company (CWS) requests a total conservation budget of \$9,319,020 each year for 2017, 2018 and 2019.

ORA recommends that the Commission authorize a total conservation budget of \$5,450,923 each year for 2017, 2018 and 2019. This budget amount includes water conservation staff salaries. Table 4-A shows a comparison between CWS's proposed budget and ORA's recommended budget broken down by each district for 2017.

1

Table 4-A: CWS and ORA Water Conservation Budget Comparison

District	CWS Proposed	ORA Proposed	CWS>ORA
Antelope Valley	\$ 44,770	\$ 9,439	\$ 35,331
Bear Gulch	\$ 584,282	\$ 382,540	\$ 201,742
Bakersfield	\$ 906,688	\$ 385,518	\$ 521,170
Bayshore	\$ 1,060,321	\$ 660,787	\$ 399,534
Chico	\$ 403,383	\$ 258,753	\$ 144,630
Dixon	\$ 44,372	\$ 14,369	\$ 30,003
Dominguez	\$ 914,446	\$ 526,647	\$ 387,799
East Los Angeles	\$ 569,583	\$ 367,582	\$ 202,001
Hermosa Redondo	\$ 631,129	\$ 429,844	\$ 201,285
King City	\$ 49,566	\$ 10,171	\$ 39,395
Kern River Valley	\$ 43,994	\$ 37,654	\$ 6,340
Los Altos	\$ 446,964	\$ 261,137	\$ 185,827
Livermore	\$ 494,711	\$ 313,958	\$ 180,753
Marysville	\$ 44,458	\$ 30,022	\$ 14,436
Oroville	\$ 49,120	\$ 31,416	\$ 17,705
Palos Verdes	\$ 653,328	\$ 487,909	\$ 165,419
Redwood Valley	\$ 29,415	\$ 14,159	\$ 15,257
Selma	\$ 75,244	\$ 60,147	\$ 15,097
Salinas	\$ 625,406	\$ 307,269	\$ 318,137
Stockton	\$ 527,299	\$ 309,644	\$ 217,655
Visalia	\$ 634,421	\$ 394,313	\$ 240,108
Willows	\$ 41,851	\$ 11,487	\$ 30,363
Westlake	\$ 444,267	\$ 146,158	\$ 298,110
Total	\$ 9,319,020	\$ 5,450,923	\$ 3,868,097

2

3 At CWS's current conservation funding levels, it has met the 2015 interim SBX7-7
4 GPCD targets in all but one district (Palos Verdes). See Table 4-E below. CWS notes
5 that Palos Verdes is part of a regional alliance at medium risk of non-compliance with

1 SBX7-7 20% by 2020 targets.⁶⁷ ORA proposes to maintain budgets at CWS's 2014
2 expenditure levels in each district including an adjustment for escalation as well as an
3 adjustment for two of CWS's proposed new programs: home reports and water loss
4 control. ORA includes funding for CWS's proposed home reports program and modified
5 funding for the water loss control program. ORA includes water loss control budgets for
6 districts where the benefit-cost ratio of the program is greater than one and in districts
7 that have very few or no conservation programs with benefit cost ratios greater than one.
8 CWS's turf buy-back rebate program should continue to be appropriately tracked in the
9 drought memorandum account.

10 **C. BACKGROUND**

11 **1. California Drought**

12 California is currently in its fourth year of severe drought. California's 2015 and 2014
13 Water Years, which ended September 30, 2015, were the warmest years on record and
14 2014 was the third driest year on record.⁶⁸ On January 17, 2014, Governor Brown
15 declared a drought state of emergency.⁶⁹ On April 1, 2015, Governor Brown issued an
16 executive order requiring a statewide mandatory reduction of 25% in potable, urban
17 water use compared to 2013 (by end of February 2016).⁷⁰ On February 2, 2016, the State
18 Water Resources Control Board adopted an extended and revised emergency regulation

⁶⁷ Conservation Report for 2015 GRC – All Districts, July 2015, p.5.

⁶⁸ <http://ca.water.usgs.gov/data/drought/>.

⁶⁹ <http://ca.water.usgs.gov/data/drought/>.

⁷⁰ <https://www.gov.ca.gov/news.php?id=18910>.

1 to ensure that urban water conservation continues in 2016.⁷¹ The regulation extends
2 restrictions on urban water use through October 2016 while providing urban water
3 suppliers more flexibility in meeting their conservation requirements.⁷² Resolution W-
4 5082 explains that there are some reductions to the drought conservation standards of up
5 to 8% for systems that meet certain criteria such as hotter than average climates, systems
6 that have experienced growth or systems that have developed drought resistance sources
7 of supply. Some of CWS's districts may qualify for easing of drought requirements.

8 The drought is evolving and changing and it is unknown whether it will continue into
9 Test Year 2017 for the present rate case. This chapter focuses on the ongoing
10 conservation programs that CWS implements regularly, irrespective of whether the
11 drought continues or to what degree. CWS's budget for drought response is handled
12 separately through the drought memorandum account pursuant to Commission
13 Resolution W-4976. The use of the drought memorandum account consistent with
14 Resolution W-4976 was recently reaffirmed in Resolution W-5082.⁷³

15 **2. Water Conservation Act of 2009 (SB X7-7)**

16 The Water Conservation Act of 2009 Senate Bill X7-7 (SB X7-7) was enacted in
17 November 2009, requiring all water suppliers to increase water use efficiency.⁷⁴ The
18 legislation sets an overall goal of reducing per capita urban water use in California by

⁷¹ <http://www.ca.gov/drought/>.

⁷² http://www.waterboards.ca.gov/water_issues/programs/conservation_portal/emergency_regulation.shtml.

⁷³ Resolution W-5082, California Public Utilities Commission, February 11, 2016, p. 7.

⁷⁴ <http://www.water.ca.gov/wateruseefficiency/sb7/>.

1 20% by December 31, 2020.⁷⁵ The legislation requires the state to make incremental
2 progress towards this goal by reducing per capita water use by at least 10% by December
3 31, 2015.⁷⁶

4 CWS's reported SB X7-7 gallons per-capita per day (GPCD) 2020 targets per district are
5 shown in the table below:⁷⁷

6 **Table 4-B: CWS SB X7-7 2020 Targets in Gallons Per Capita Day (GPCD)**

District	SBX7-7 2020 GPCD Target
Antelope Valley	282
Bear Gulch	187
Bakersfield	237
Chico	234
Dixon	161
Dominguez	173
East Los Angeles	115
Hermosa Redondo	128
King City	124
Kern River Valley	179
Los Altos	185
Livermore	158
Mid Peninsula	124
Marysville	201
Oroville	261

⁷⁵ <http://www.water.ca.gov/wateruseefficiency/sb7/>.

⁷⁶ <http://www.water.ca.gov/wateruseefficiency/sb7/>. Furthermore, effective 2016, urban retail water suppliers who do not meet the water conservation requirements established by this bill are not eligible for state water grants or loans.

⁷⁷ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p. 4.

Palos Verdes	223
Redwood Valley	154
Selma	218
Salinas	120
South San Francisco	124
Stockton	165
Visalia	198
Willows	201
Westlake	373

3. CWS Program Descriptions

The following are brief descriptions provided by CWS in its Conservation Report of each current and proposed conservation program:⁷⁸

MaP Premium and Non-Premium Toilet Replacement -

This program will replace old toilets with MaP certified high-efficiency toilets. Financial rebates, direct installation, and direct distribution will be used to deliver toilets to customers.

Urinal Valve and Bowl Replacement - This program will replace old urinals with high-efficiency urinals meeting the new 0.125 gallon per flush water use standard adopted by the California Energy Commission in April. Financial rebates and direct installation will be used to deliver urinals to customers.

Clothes Washer Replacement - This program will provide customer rebates for residential and non-residential high-efficiency clothes washers.

⁷⁸ Conservation Report for 2015 GRC-All Districts, California Water Service Company, pp.23-25.

Residential Conservation Kit Distribution - This program will offer CWS residential customers conservation kits featuring a range of water-saving plumbing retrofit fixtures. Kits will be available at no charge to customers, who can request them via CWS's website, via mail, or by contacting or visiting their district.

Smart Controllers Rebates/Vouchers - This program will target residential and non-residential customers with high landscape water use. The program will offer incentives to either the customers or contractors for proper installation of the Smart Controllers at customer sites.

High Efficiency Irrigation Nozzle Web Vouchers/Rebates - Water efficient sprinkler nozzles (popup and rotating) and integrated pressure-regulated spray bodies use significantly less water than a standard sprinkler head by distributing water more slowly and uniformly to the landscape.

Turf Buy-Back - This program will offer customers a \$1 per square foot rebate to replace turf with qualified drought-tolerant landscaping. Customer applications will be screened to ensure program requirements are met, including before and after photos of the retrofitted landscape area.

Home Water Reports - This program provides monthly water use reports to single family customers. Home water reports induce behavioral change in water use.

Audits and Surveys - This program will provide residential and non-residential water use surveys to CWS customers.

Large Landscape Water Use Reports - A landscape water budget calculates the recommended amount of water for irrigation based on landscape size, plant mix, weather, and season.

Large Landscape Surveys - This program provides landscape water use evaluations, recommendations, and education to commercial and industrial customers with significant landscaped area.

Water Loss Control - The goal of the Water Loss Control Program is to implement a permanent, proactive leak detection "lift and shift" survey program throughout CWS. This program will minimize long term water loss in the

1 distribution system by early detection and repair of non-
2 surfacing leaks.⁷⁹

3 **4. Staffing Request**

4 CWS's current conservation program staff consists of five full-time positions. These five
5 staff positions manage all aspects of CWS's conservation programs deployed across 24
6 separate districts serving a population of about 2 million through 470,000 service
7 connections. CWS states that the current staffing level has adversely impacted CWS's
8 ability to implement and expand conservation programs. CWS states that to ensure
9 adequate management and oversight of the expansion and utilization of CWS's
10 conservation programs, CWS is requesting to add three additional Conservation Program
11 Coordinator positions.

12 **D. DISCUSSION**

13 **1. ORA Analysis of CWS Programs and Budgets**

14 ***a. CWS's Drought Response***

15 CWS states that while the State Board's emergency regulation is scheduled to end by
16 February 2016, it is instructive to consider the magnitude of reduction that would
17 potentially be needed in 2017 if the drought does not abate and the emergency regulation
18 is extended.⁸⁰ If this comes to pass, according to CWS, the average demand reduction for

⁷⁹ Conservation Report for 2015 GRC-All Districts, California Water Service Company, pp. 23-25.

⁸⁰ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p.6.

1 CWS's districts relative to CWS's estimated 2017 Test Year demand is 22% while six
2 districts would have reduction targets greater than 30%.⁸¹

3 Regarding CWS's drought response measures, a Drought Memorandum Account
4 (DRMA) was established effective May 1, 2014. The purpose of the DRMA is to track
5 costs and penalties associated with the implementation of Rule 14.1 and Schedule 14.1
6 consistent with Resolution W-4976 in which the Commission adopted Drought
7 Procedures.⁸²

8 CWS furthermore states that it has established a temporary Drought Call Center
9 dedicated to handling drought-specific customer service inquiries. The Drought Call
10 Center is physically located in CWS's East Los Angeles District. CWS states that
11 customer service representatives located in the districts are required to address any
12 general drought and conservation questions. The Drought Call Center is intended to
13 answer more in-depth questions related to the drought and process any changes to water
14 budgets (via appeals) and Waste of Water violations.⁸³

15 Also, all CWS customers have been given individualized "water budgets," which are the
16 amount of water that may be used each month without incurring the drought surcharge.⁸⁴

⁸¹ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p.6.

⁸² https://www.calwater.com/docs/rates/rules/preliminary_statement_al.pdf.

⁸³ CWS Data Request response to JJS-008 question 2.

⁸⁴ <https://www.calwater.com/conservation/drought/water-budgets/>.

1 These water budgets are based on the units of water (Ccfs) each individual customer used
2 in that month of 2013.⁸⁵

3 The Turf Buy-Back rebates, which were offered in a subset of CWS's districts in 2014
4 and offered across all districts starting in 2015, are another drought response measure.
5 EO B-29-15 calls on the Department of Water Resources (DWR) to lead a statewide
6 initiative, in partnership with local agencies, to replace 50 million square feet of lawns
7 and ornamental turf with drought tolerant landscapes.

8 Overall, CWS is spending substantial sums on drought response. For example, CWS
9 spent \$1.8 million in the third quarter of 2015 alone.⁸⁶ If CWS continues spending on
10 drought at this same level for one year, it would be an annual amount of \$7.2 million.
11 CWS is also recovering substantial drought surcharges of \$23.6 million in the third
12 quarter of 2015 alone.⁸⁷ These amounts, which are not being booked in the Drought
13 Memorandum Account (DRMA) but are being used to reduce the Water Revenue
14 Adjustment Mechanism (WRAM) undercollections, are being tracked in drought
15 mechanisms approved by the Commission separately and are not included in the analysis
16 here. ORA's analysis focuses on the ongoing conservation programs that CWS offers.
17 Although these conservation programs are continuing on in the context of the drought,
18 these are the programs that address the ongoing need to conserve water in California

⁸⁵ <https://www.calwater.com/conservation/drought/water-budgets/>.

⁸⁶ California Water Service's (CWT) Earnings Call Transcript, November 1, 2015, <http://seekingalpha.com/article/3630246-california-water-services-cwt-ceo-martin-kropelnicki-on-q3-2015-results-earnings-call-transcript>, accessed 1/21/16.

⁸⁷ California Water Service's (CWT) Earnings Call Transcript, November 1, 2015, <http://seekingalpha.com/article/3630246-california-water-services-cwt-ceo-martin-kropelnicki-on-q3-2015-results-earnings-call-transcript>, accessed 1/21/16.

1 regardless of whether the current drought continues. In any event, the Conservation
2 Program, which was approved before the drought, should continue and be evaluated
3 separately.

4 *b. ORA's Recommendation on CWS's Conservation Staffing Request*

5 ORA notes that CWS reports in its Q3 2015 earnings call transcript that CWS has
6 increased conservation program costs by \$1 million in Q3 alone.⁸⁸ CWS's authorized
7 annual conservation budget for 2014, 2015 and 2016 is \$6,999,757, which equates to
8 \$1,749,939 per quarter.⁸⁹ Thus, for conservation program costs to increase by \$1 million
9 in one quarter is equivalent to 57 percent of the authorized conservation spending. This
10 fact does not support CWS's claim that the current staffing levels are having an adverse
11 impact on CWS's ability to implement and expand conservation programs.⁹⁰

12 To address drought staffing needs, CWS has 38 full-time equivalents that it has deployed
13 at a cost of approximately \$700,000 per month.⁹¹ CWS has a drought memorandum
14 account tracking these costs and other drought related costs pursuant to Commission

⁸⁸ <http://seekingalpha.com/article/3630246-california-water-services-cwt-ceo-martin-kropelnicki-on-q3-2015-results-earnings-call-transcript>, accessed 1/29/2016.

⁸⁹ Settlement Agreement p. 13 from A.12-07-007, adopted by Decision 14-08-011.

⁹⁰ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p. 16.

⁹¹ <http://seekingalpha.com/article/3630246-california-water-services-cwt-ceo-martin-kropelnicki-on-q3-2015-results-earnings-call-transcript>, accessed 1/29/16.

1 Resolution W-4976; CWS anticipates spending a total of \$6 million to \$8 million in
2 drought response through February 2016.⁹²

3 Under CWS's past levels of conservation staffing and spending all but one district (Palos
4 Verdes) has met the interim 2015 goals from the SB X7-7 legislation and most of the
5 districts have also met the goals for 2020. Please see Table 4-E below.

⁹² <http://seekingalpha.com/article/3630246-california-water-services-cwt-ceo-martin-kropelnicki-on-q3-2015-results-earnings-call-transcript>, accessed 1/29/16.

1

Table 4-E: CWS's Compliance with SBX7-7⁹³

District	GPCD 2014 Actual	GPCD 2015 Target	Below/A bove 2015 Target	GPCD 2020 Target	Below/A bove 2020 Target
Antelope Valley	222	318	(95)	282	(60)
Bear Gulch	201	210	(9)	187	15
Bakersfield	231	266	(35)	237	(6)
Chico	209	263	(54)	234	(24)
Dixon	131	165	(34)	161	(29)
Dominguez	189	194	(5)	173	17
East Los Angeles	94	121	(27)	115	(21)
Hermosa Redondo	103	135	(32)	128	(25)
King City	106	139	(33)	124	(18)
Kern River Valley	127	192	(65)	179	(52)
Los Altos	172	208	(36)	185	(13)
Livermore	130	177	(47)	158	(28)
Mid Peninsula	101	130	(30)	124	(24)
Marysville	149	226	(77)	201	(52)
Oroville	214	294	(80)	261	(47)
Palos Verdes	270	251	19	223	47
Redwood Valley	83	161	(78)	154	(71)
Selma	188	245	(58)	218	(30)
Salinas	129	135	(6)	120	9
South San Francisco	115	137	(22)	124	(9)
Stockton	134	174	(40)	165	(31)
Visalia	195	222	(27)	198	(3)
Willows	167	226	(59)	201	(34)
Westlake	374	420	(46)	373	1

2

⁹³ GPCD Actual 2014 is from CWS's Workpaper "2015 GRC Conservation Workbook - 2012GRCAActivity_v7" in the district tabs From Response to HMC-001. GPCD 2015 target data is from CWS's Workpaper "2015 GRC Conservation Workbook - 2012GRCAActivity_v7" in the district tabs from

1 CWS does not need additional staff when ratepayers have reduced water consumption in
2 accordance with SB X7-7 at current expense levels. The three new Conservation
3 Program Coordinator positions requested by CWS are unnecessary, and should be denied.

4 *c. ORA's Overall Conservation Budget Methodology*

5 In CWS's prior GRC (Application 12-07-007) ORA and CWS reached agreement on
6 conservation budgets and programs that were adopted by Decision 14-08-011. ORA's
7 testimony in this case recommends maintaining the elements of the settlement from the
8 prior case unless otherwise specified here. Specifically, the primary change from the
9 settlement adopted in the prior GRC is regarding the total budget recommendation based
10 upon recorded conservation spending from 2014. Items to retain from the prior
11 settlement are described in Chapter 4.B. of the settlement and key elements include the
12 following:

- 13 1) Exclude the conservation budget from escalation;
- 14 2) Conservation budgets may be used in a district at any time during the three-
15 year rate case cycle but are not transferrable across districts;
- 16 3) A one-way balancing account should be established for each district with any
17 unspent monies left from the total three-year budget to be refunded to
18 ratepayers at the end of this GRC cycle.

19 ORA based its analysis on a district's compliance with the GPCD targets established by
20 SB X7-7, recorded 2014 conservation expenditures and the use of CWS's reported

1 Benefit Cost Ratios equal to or greater than one, where feasible. The resulting annual
2 district conservation budget for Test Year 2017 would be the same for 2018 and 2019.

3 ORA used recorded 2014 conservation expenses and escalated those using the May 2015
4 ORA ECOS/Water Branch memo. However, the latest ORA memo should be used to
5 update the estimates at the time the parties submit settlement.

6 As CWS stated, the Benefit Cost Ratio (BCR) that CWS calculated for a program is equal
7 to the present value of avoided water supply benefit divided by the present value of
8 program implementation cost. CWS's annual avoided water supply benefit is equal to the
9 product of the program's seasonal water savings and the avoided supply cost for the peak
10 and off-peak seasons. CWS calculated these ratios using a benefit-cost analysis (BCA)
11 model based on the Alliance for Water Efficiency's Water Conservation Tracking Tool.⁹⁴
12 ORA accepted the ratios reported by CWS for the purposes of developing its
13 recommendations in this GRC. The Commission should require CWS to pursue
14 conservation programs that have BCR greater than one where feasible. However, there
15 are four districts with no programs proposed by CWS that have a BCR greater than one:
16 King City, Marysville, Selma and Visalia. Additionally, the following three districts
17 have few water conservation programs proposed with BCR greater than one: Oroville,
18 Salinas, and Stockton. For Visalia, Salinas, Selma, and Bakersfield, CWS argues that the
19 BCR does not account for groundwater overdraft condition and therefore is not a reliable
20 indicator of conservation program benefit.⁹⁵ ORA's recommended budget includes
21 funding for public information, school education, administrative (staffing), and research

⁹⁴ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p. 14.

⁹⁵ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p. 20.

1 in every district. However, the District by District Analysis below lists additional
2 recommended programs in each district based upon the most cost effective programs
3 available.

4 CWS proposes three new programs that were not part of the conservation programs in its
5 last rate case: single family customer home water reports, system water loss control and
6 turf buy-back.⁹⁶ ORA accepts CWS's proposal for the home water reports and accepts
7 the system water loss control program in certain districts. However, as discussed below,
8 since the turf buy-back rebate program is a drought response program, it is appropriately
9 funded under the drought memorandum account rather than the conservation programs
10 budget. ORA does not include the water loss control program in the Antelope Valley,
11 Bakersfield, Chico, Dixon, King City and Willows districts. The program has BCRs of
12 0.2, 0.7, 0.6, 0.6, 0.2, and 0.5 in those districts, respectively. There are other districts that
13 also have low BCRs, however, ORA accepts the program in those districts because those
14 are districts that have either no or low numbers of programs available with BCR ratios
15 greater than one. Those districts are: Marysville, Oroville, Selma, Salinas, Stockton, and
16 Visalia (with BCRs of 0.3, 0.5, 0.3, 0.8, 0.8 and 0.2, respectively).

17 CWS also rated the districts in terms of "noncompliance risk" for compliance with SB
18 X7-7 and reported that the four high risk districts are Bear Gulch, Dominguez, Livermore
19 and Salinas.⁹⁷ However, as of 2014, Livermore had already met the 20% by 2020 target
20 (see Table 4-E). Additionally, because of the ability for districts to comply individually
21 or as part of a regional alliance, as described by CWS, the only high non-compliance risk

⁹⁶ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p. 8.

⁹⁷ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p. 3.

regional alliance is Central Coast (including King City and Salinas).⁹⁸ Thus, according to CWS, the only district at high risk of non-compliance individually and on a regional level is Salinas. ORA notes that in combining the actual 2014 GPCDs of King City and Salinas, their regional alliance is already lower than their combined 2015 GPCD target usage and their combined 2020 GPCD target usage. ORA considered this factor in accepting the home water use reports and water loss control programs in Salinas.

The following description illustrates ORA's analysis process using Antelope Valley district as an example. First, ORA determined whether the district had complied with the SBX7-7 target. As seen in the table below, Antelope Valley has met the 2015 target and also the 2020 target based on 2014 actual GPCD:

Table 4-F: SBX7-7 Compliance

District	GPCD Actual 2014	GPCD 2015 Target	2014 Below/ Above 2015 Target	% Difference	GPCD 2020 Target	2014 Below/ Above 2020 Target	% Difference
Antelope Valley	222	318	(95)	42.7%	282	(60)	26.9%

ORA examined the Antelope Valley district's recorded 2014 conservation expenses in light of compliance with SBX7-7. The table below illustrates the 2014 recorded and authorized conservation expenses:

⁹⁸ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p. 5.

**Table 4-G: Antelope Valley 2014 Recorded Conservation Expenses and Authorized
2014 Conservation Expenses**

District	2014 Recorded	2014 Authorized
Antelope Valley	\$7,700	\$20,463

For Antelope Valley, authorized 2014 conservation expenses were \$20,463 while recorded 2014 conservation expenses were \$7,700.⁹⁹ The recorded amounts for each district contain a portion for conservation wages.¹⁰⁰

As illustrated above, ORA’s recommendation is based on the fact that the Antelope Valley district is already complying with the demand reduction targets set for 2015 and 2020 by SB X7-7 legislation. ORA developed the budget for Antelope Valley based upon escalating what CWS has spent in 2014, and adding CWS’s proposed funding for the home water use reports program.

d. Turf Buy-Back Rebate

CWS states that the Turf Buy-Back program will provide a rebate incentive of \$1.00 per square foot of replaced turf. CWS estimates program marketing to average \$0.05 per square foot of replaced turf. The combined cost is \$1.05 per square foot of replaced turf.¹⁰¹ Also discussed before, EO B-29-15 calls on the DWR to lead a statewide

⁹⁹ CWS workpaper “Antelope Valley Discovery 2015.”

¹⁰⁰ Email response from Long Nguyen of CWS on 2/10/16.

¹⁰¹ Conservation Report for 2015 GRC-All Districts, California Water Service Company, p. 13.

1 initiative, in partnership with local agencies, to replace 50 million square feet of lawns
2 and ornamental turf with drought tolerant landscapes.¹⁰²

3 However, the Turf Buy-Back program is consistently one of the lowest if not the lowest
4 cost effective program requested by CWS in each district. Table 4-H below shows the
5 low BCRs of the program, other than in Bear Gulch:

6 **Table 4-H: Turf Buy-Back BCRs per District/Area**

District	BCR
Antelope Valley	0.2
Bear Gulch	1.0
Bakersfield	0.2
Chico	0.2
Dixon	0.2
Dominguez	0.6
East Los Angeles	0.5
Hermosa Redondo	0.6
King City	0.1
Kern Valley	0.2
Los Altos	0.6
Livermore	0.9
Mid Peninsula	0.7
Marysville	0.1
Oroville	0.1
Palos Verdes	0.6
Redwood Valley	0.3
Selma	0.1
Salinas	0.1
South San Francisco	0.7

¹⁰² Conservation Report for 2015 GRC-All Districts, California Water Service Company, p. 8.

Stockton	0.1
Visalia	0.0
Willows	0.4
Westlake	0.6

The only district where the BCR is 1.0 or above is Bear Gulch (BCR of 1.0) in which it is still the lowest BCR of the programs requested by CWS across the district. Since this program was established as a drought response, the appropriate place for this program is to continue to be tracked in the DRMA. For the ongoing conservation programs discussed in this chapter, ORA recommends focusing on the most cost effective program options rather than the Turf Buy-Back program. This does not preclude CWS from pursuing a Turf Buy-Back program separately in response to the drought. CWS should make every effort to work with DWR and other water agencies that provide subsidies for this and other programs so as to reduce the cost to CWS's ratepayers.

2. District by District Analysis

a. Antelope Valley (AV)

Introduction

CWS proposes a conservation budget of \$44,770 for Test Year 2017, for a total three-year conservation budget of \$134,310 in the Antelope Valley district.

Summary of Recommendations

ORA recommends a budget of \$9,439 for Test Year 2017, for a total three-year conservation budget of \$28,316.

District Profile

The AV district is located near the border of northeastern Los Angeles and southeastern Kern Counties in the Western Mojave Desert. This district consists of four hydraulically separated water systems in unincorporated areas of these counties. The Lancaster, Lake Hughes, and Leona Valley systems are found at the base of the San Gabriel Mountains west of the City of Lancaster. The Fremont Valley system is located at the base of the Tehachapi Mountains approximately 25 miles north of the city of Lancaster.

1 The district's population is approximately 3,441. CWS stated that in 2011, on average,
2 the district receives about eight inches of rainfall annually, most of which falls in the late
3 autumn, winter, and early spring. The late spring, summer, and early autumn months are
4 generally dry. CWS also stated in 2011 that annual evapotranspiration in the district
5 averages 66 inches, which means that most landscapes cannot survive on rainfall alone
6 and must be irrigated.¹⁰³

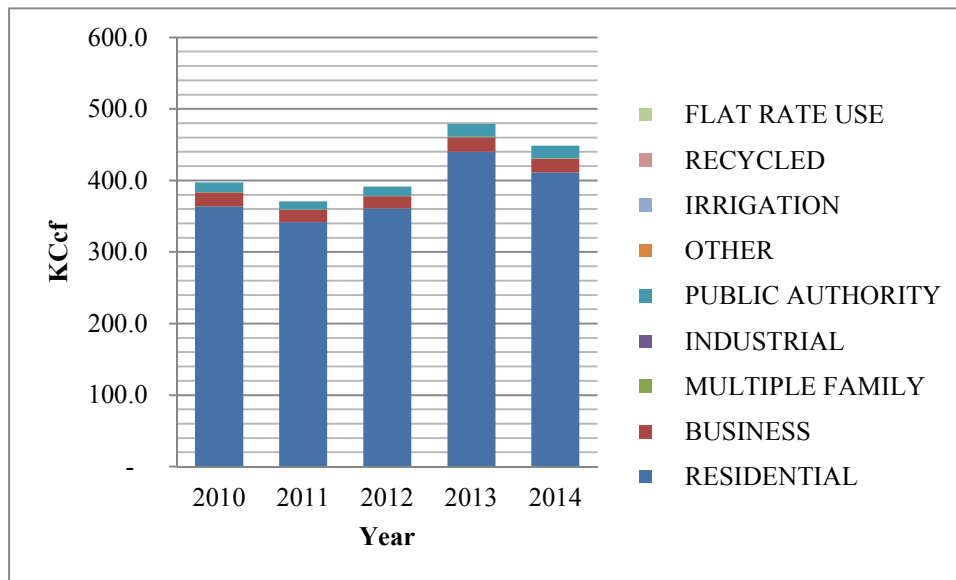
7 **ORA's Analysis**

8 Concerning the Water Conservation Act of 2009 (SBX7-7), the AV district in its 2014
9 usage has already exceeded its SBX7-7 2015 GPCD target by 42.7% or 95 GPCD. It also
10 has exceeded its SBX7-7 2020 GPCD target by 26.9% or 60 GPCD.

11 Customers in the AV district are ahead of schedule in complying with the above targets
12 while having a conservation budget more in line with what ORA is recommending.

¹⁰³ Water Conservation Report: Antelope Valley, California Water Service Company, May, 2012.

1 **Figure 4-A: Antelope Valley Annual Demand per Customer Type (Kccf)**



2

3 As shown in Figure 4-A above, the AV district is mostly composed of residential

4 customers' usage. In addition to public information, school education, administrative and

5 research activities, the Commission should require CWS to focus on the following

6 specific programs that are the most cost effective in the AV district: Smart Controllers

7 Rebate, Pop-Up Irrigation Nozzles (all customer classes), Home Water Use Reports, and

8 the MaP Premium Toilet Rebate (multifamily). As a whole, the focus is primarily

9 towards the residential customers.

10 ***b. Bear Gulch (BG)***

11 **Introduction**

12 CWS proposes a conservation budget of \$584,282 for Test Year 2017, for a total three-

13 year conservation budget of \$1,752,846 in the Bear Gulch district.

14 **Summary of Recommendations**

15 ORA recommends a budget of \$382,540 for Test Year 2017, for a total three-year

16 conservation budget of \$1,147,620.

District Profile

The BG district is located in San Mateo County approximately 30 miles south southeast of the City of San Francisco. The service area includes the communities of Atherton, Portola Valley, Woodside, portions of Menlo Park, and adjacent unincorporated portions of San Mateo County including West Menlo Park, Ladera, North Fair Oaks, and Menlo Oaks.

The district's population is approximately 58,432. CWS stated that in 2011, on average, the district receives about 23 inches of rainfall annually, most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the district averages 46 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.¹⁰⁴

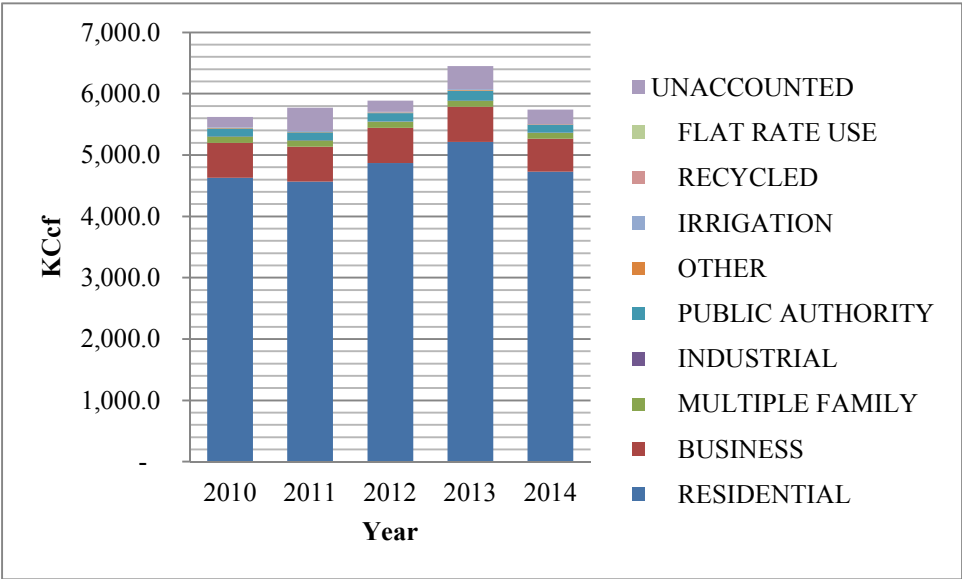
ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the BG district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 4.3% or 9 GPCD. The district has not reached its SBX7-7 2020 GPCD target. It still needs 7.3% or 15 GPCD to reach it.

Customers in the BG district are on schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

¹⁰⁴ Water Conservation Report: Bear Gulch, California Water Service Company, May, 2012.

Figure 4-B: Bear Gulch Annual Demand per Customer Type (Kccf)



As shown in Figure 4-B above, the BG district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the BG district: MaP Premium Toilet Rebate (residential), MaP Premium Toilet Direct Install (all customer classes), Clothes washer Rebate (residential), Showerhead/Aerator Kit Distribution (residential), Smart Controllers Rebate (all customer classes), Pop-Up Irrigation Nozzles (all customer classes), Audits & Surveys (residential), Home Water Use Reports (residential), MaP Non-Premium Toilet Rebate (commercial/business), Urinal Bowl Replacement Rebates (commercial/business), Rotating Irrigation Nozzles (commercial/business), Large Landscape Surveys, Large Landscape Water Use Reports, and the Water Loss Control. As a whole, the focus is primarily towards the residential customers.

c. Bakersfield (BK)

Introduction

CWS proposes a conservation budget of \$906,688 for Test Year 2017, for a total three-year conservation budget of \$2,720,064 in the Bakersfield district.

1 **Summary of Recommendations**

2 ORA recommends a budget of \$385,518 for Test Year 2017, for a total three-year
3 conservation budget of \$1,156,555.

4 **District Profile**

5 The BK district is located in Kern County. It is situated in the Tulare Lake hydrologic
6 region. The BK district is approximately 115 miles north of the City of Los Angeles.

7 The BK district serves portions of the City of Bakersfield and segments of
8 unincorporated Kern County lands adjacent to the City of Bakersfield.

9 The BK district’s population is approximately 276,364. CWS stated that in 2011, on
10 average, the BK district receives about 6 inches of rainfall annually, most of which falls
11 in the late autumn, winter, and early spring. The late spring, summer, and early autumn
12 months are generally dry. CWS also stated in 2011 that annual evapotranspiration in the
13 BK district averages 58 inches, which means that most landscapes cannot survive on
14 rainfall alone and must be irrigated.¹⁰⁵

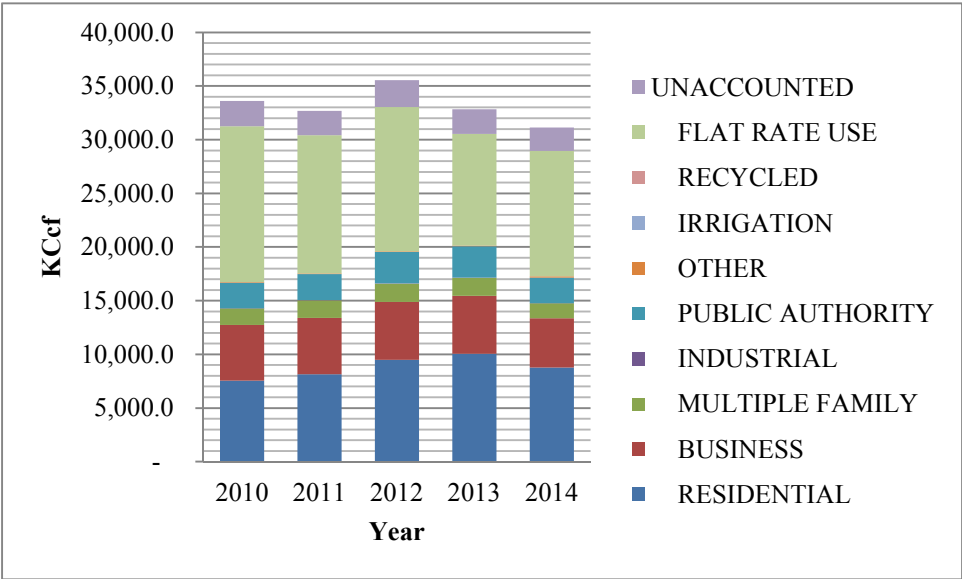
15 **ORA’s Analysis**

16 Concerning the Water Conservation Act of 2009 (SBX7-7), the BK district in its 2014
17 usage has already exceeded its SBX7-7 2015 GPCD target by 15.4% or 35 GPCD. It also
18 has exceeded its SBX7-7 2020 GPCD target by 2.5% or 6 GPCD.

19 Customers in the BK district are ahead of schedule in complying with the above targets
20 while having a conservation budget more in line with what ORA is recommending.

¹⁰⁵ Water Conservation Report: Bakersfield, California Water Service Company, May, 2012.

Figure 4-C: Bakersfield Annual Demand per Customer Type (Kccf)



As shown in Figure 4-C above, the BK district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the BK district: Smart Controllers Rebate (residential), Home Water Use Reports (residential), and the MaP Premium Toilet Rebate (multifamily and commercial/business). As a whole, the focus is primarily towards the residential customers.

d. Bayshore (BS)

Introduction

CWS proposes a conservation budget of \$1,060,321 for Test Year 2017, respectively, for a total three-year conservation budget of \$3,180,963 in the Bayshore district.

Summary of Recommendations

ORA recommends a budget of \$660,787 for Test Year 2017, respectively, for a total three-year conservation budget of \$1,982,361.

District Profile

The BS district is made up of the service areas of Mid-Peninsula and South San Francisco, which were consolidated in 2011. Mid-Peninsula district is located in San Mateo County approximately 20 miles south-southeast of the City of San Francisco. The district serves the communities of San Carlos and San Mateo and adjacent unincorporated portions of San Mateo County including The Highlands and Palomar Park. The South San Francisco district is located in northern San Mateo County approximately six miles south of the City of San Francisco. The BS district serves the communities of South San Francisco, Colma, a small portion of Daly City, and an unincorporated area of San Mateo County known as Broadmoor. The system is bounded on the north by the San Bruno Mountain, on the west and northwest by Daly City, on the south by the City of San Bruno, and on the east by the San Francisco Bay.

The BS district's population is approximately 190,980. CWS stated that in 2011, on average, the district receives about 19.5 inches of rainfall annually, most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the district averages 39-46 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.^{106,107}

¹⁰⁶ Water Conservation Report: Mid-Peninsula, California Water Service Company, May, 2012.

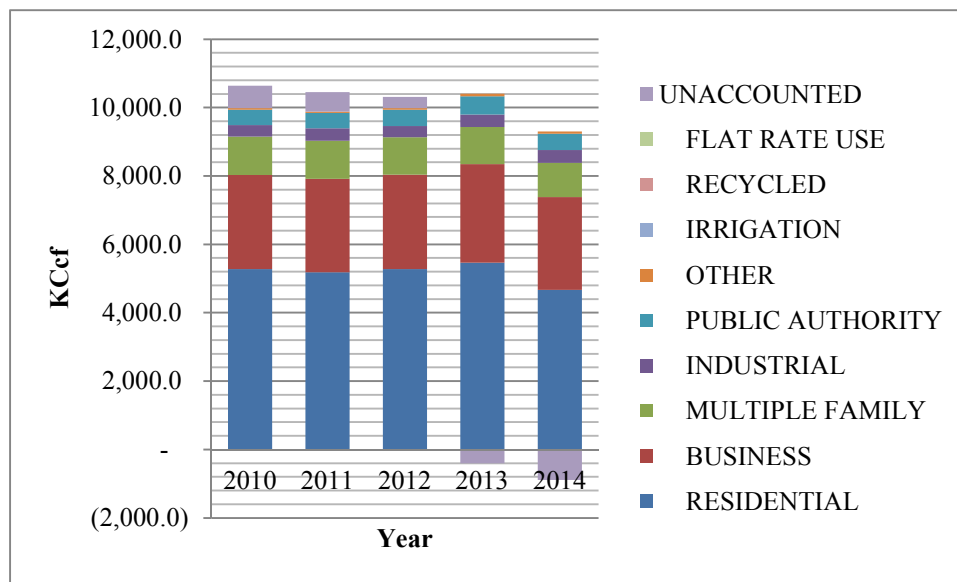
¹⁰⁷ Water Conservation Report: South San Francisco, California Water Service Company, May, 2012.

ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the BS district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 20.6% or 22 GPCD. It also has exceeded its SBX7-7 2020 GPCD target by 15.2% or 16 GPCD.

Customers in the BS district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

Figure 4-D: Bayshore Annual Demand per Customer Type (Kccf)



As shown in Figure 4-D above, the BS district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the BS district: MaP Premium Toilet Rebate (residential and commercial/business), MaP Premium Toilet Direct Install, Clothes washer Rebate, Showerhead/Aerator Kit Distribution, Smart Controllers Rebate, Pop-Up Irrigation Nozzles, Audits & Surveys (residential), Home Water Use Reports, Urinal Valve Replacement Rebates, Urinal Bowl Replacement Rebates, Rotating Irrigation Nozzles, Large Landscape Surveys, Large Landscape Water Use Reports, and the Water Loss Control. As a whole, the focus is primarily towards the residential customers.

1 *e. Chico (CH)*

2 **Introduction**

3 CWS proposes a conservation budget of \$403,383 for Test Year 2017, for a total three-
4 year conservation budget of \$1,210,149 in the Chico district.

5 **Summary of Recommendations**

6 ORA recommends a budget of \$258,753 for Test Year 2017, respectively, for a total
7 three-year conservation budget of \$776,258.

8 **District Profile**

9 The CH district serves the City of Chico, Hamilton City, and portions of unincorporated
10 Butte County. The Hamilton City system is a small isolated system located
11 approximately ten miles to the west of the City of Chico. The (CH) district is
12 approximately 80 miles north of the City of Sacramento.

13 The CH district's population is approximately 100,435. CWS stated that in 2011, on
14 average, the CH district receives about 26 inches of rainfall annually, most of which falls
15 in the late autumn, winter, and early spring. The late spring, summer, and early autumn
16 months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in
17 the district averages 53 inches, which means that most landscapes cannot survive on
18 rainfall alone and must be irrigated.¹⁰⁸

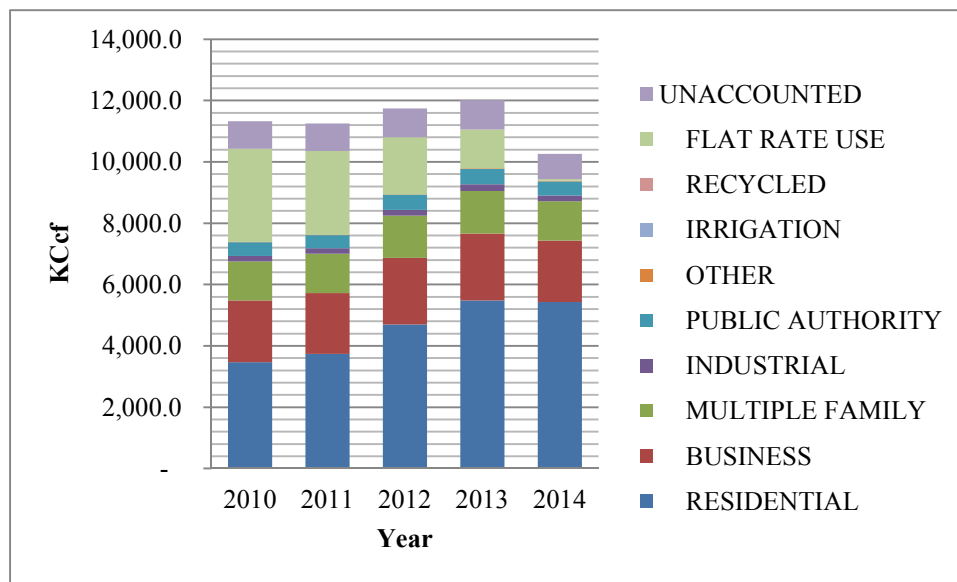
¹⁰⁸ Water Conservation Report: Chico, California Water Service Company, May, 2012.

ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the CH district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 25.6% or 54 GPCD. It also has exceeded its SBX7-7 2020 GPCD target by 11.6% or 24 GPCD.

Customers in the CH district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

Figure 4-E: Chico Annual Demand per Customer Type (Kccf)



As shown in Figure 4-E above, the CH district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the CH district: Smart Controllers Rebate (residential and multifamily), Home Water Use Reports, and Smart Controllers Distribution (multifamily). As a whole, the focus is primarily towards the residential customers.

1 *f. Dixon (DX)*

2 **Introduction**

3 CWS proposes a conservation budget of \$44,372 for Test Year 2017, for a total three-
4 year conservation budget of \$133,116 in the Dixon district.

5 **Summary of Recommendations**

6 ORA recommends a budget of \$14,369 for Test Year 2017, for a total three-year
7 conservation budget of \$43,107.

8 **District Profile**

9 The DX district is located in northern Solano County, about 20 miles southwest of the
10 City of Sacramento and about 65 miles northeast of the City of San Francisco. The DX
11 district serves parts of the City of Dixon as well as unincorporated areas of Solano
12 County adjacent to Dixon.

13 The DX district's population is approximately 9,774. CWS stated that in 2011, on
14 average, the DX district receives about 17 inches of rainfall annually, most of which falls
15 in the late autumn, winter, and early spring. The late spring, summer, and early autumn
16 months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in
17 the DX district averages 58 inches, which means that most landscapes cannot survive on
18 rainfall alone and must be irrigated.¹⁰⁹

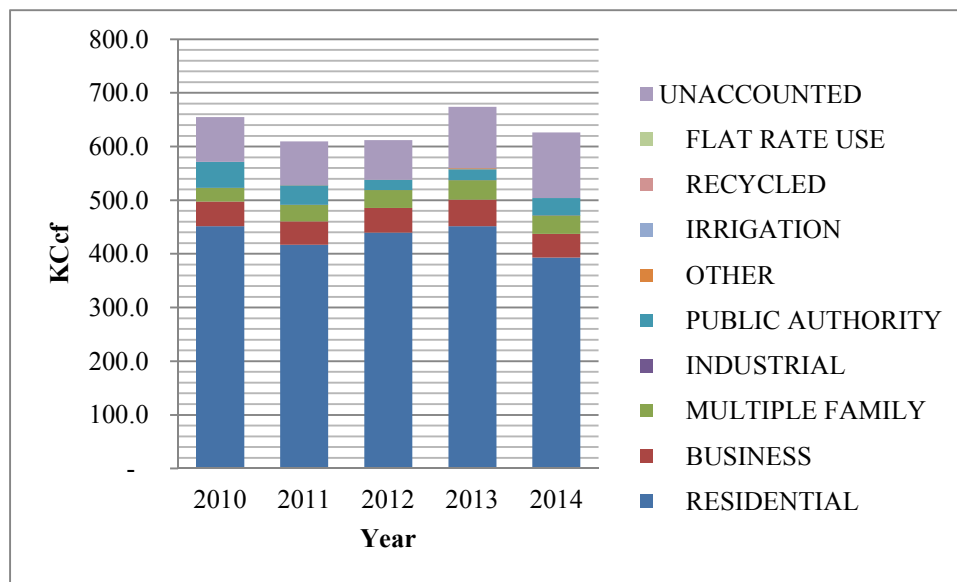
¹⁰⁹ Water Conservation Report: Dixon, California Water Service Company, May, 2012.

ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the DX district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 25.7% or 34 GPCD. It also has exceeded its SBX7-7 2020 GPCD target by 22.3% or 29 GPCD.

Customers in the DX district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

Figure 4-F: Dixon Annual Demand per Customer Type (Kccf)



As shown in Figure 4-F above, the DX district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the DX district: Home Water Use Reports, MaP Premium Toilet Rebate (multifamily), Smart Controllers Distribution (multifamily), Pop-Up Irrigation Nozzles (multifamily and commercial/business), and the MaP Non-Premium Toilet Rebate. As a whole, the focus is primarily towards the residential customers.

1 *g. Dominguez (DOM)*

2 **Introduction**

3 CWS proposes a conservation budget of \$914,446 for Test Year 2017, for a total three-
4 year conservation budget of \$2,743,338 in the Dominguez district.

5 **Summary of Recommendations**

6 ORA recommends a budget of \$526,647 for Test Year 2017, for a total three-year
7 conservation budget of \$1,579,940.

8 **District Profile**

9 The DOM district covers a 35-square mile service area and includes the majority of the
10 City of Carson, a section of the City of Torrance, small sections of the Cities of Compton,
11 Long Beach and Los Angeles, and a portion of Los Angeles County. The northwest and
12 west sections of the service area are adjacent to CWS's Hermosa-Redondo district.
13 CWS's Palos Verdes district lies to the south of the district.

14 The DOM district's population is approximately 142,111. CWS stated that in 2011, on
15 average, the DOM district receives about 14 inches of rainfall annually, most of which
16 falls in the late autumn, winter, and early spring. The late spring, summer, and early
17 autumn months are generally dry. CWS also stated in 2011 that the annual
18 evapotranspiration in the DOM district averages 47 inches, which means that most
19 landscapes cannot survive on rainfall alone and must be irrigated.¹¹⁰

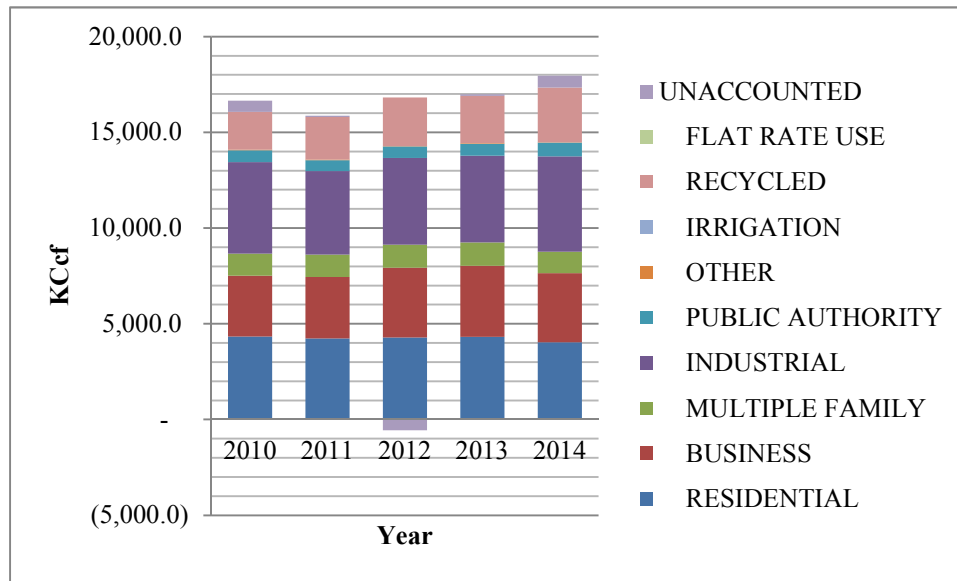
¹¹⁰ Water Conservation Report: Dominguez, California Water Service Company, May, 2012.

ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the DOM district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 2.6% or 5 GPCD. The district has not reached its SBX7-7 2020 GPCD target. It still needs 8.8% or 17 GPCD to reach it.

Customers in the DOM district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

Figure 4-G: Dominguez Annual Demand per Customer Type (Kccf)



As shown in Figure 4-G above, the DOM district is mostly composed of residential/multifamily and business/industrial customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the DOM district: MaP Premium Toilet Rebate (residential and multifamily), MaP Premium Toilet Direct Install (residential and multifamily), Showerhead/Aerator Kit Distribution (residential), Pop-up Irrigation Nozzles, Home Water Use Reports, MaP Non-Premium Toilet Rebate (commercial/business), Urinal Bowl Replacement Rebates, Clothes washers Coin Op Rebate, Smart Controllers Rebate (commercial/business),

1 Rotating Irrigation Nozzles (commercial/business), Large Landscape Surveys, Large
2 Landscape Water Use Reports, and the Water Loss Control program.

3 *h. East Los Angeles (ELA)*

4 **Introduction**

5 CWS proposes a conservation budget of \$569,583 for Test Year 2017, for a total three-
6 year conservation budget of \$1,708,750 in the East Los Angeles district.

7 **Summary of Recommendations**

8 ORA recommends a budget of \$367,582 for Test Year 2017, for a total three-year
9 conservation budget of \$1,102,747.

10 **District Profile**

11 The ELA district is located east of downtown Los Angeles with a western boundary
12 approximately three miles from LA's Civic Center. The service area encompasses a large
13 section of unincorporated Los Angeles County known as East Los Angeles and portions
14 of the cities of Montebello, Commerce, and Vernon.

15 The ELA district's population is approximately 150,446. CWS stated that in 2011, on
16 average, the ELA district receives about 15 inches of rainfall annually, most of which
17 falls in the late autumn, winter, and early spring. The late spring, summer, and early
18 autumn months are generally dry. CWS also stated in 2011 that the annual

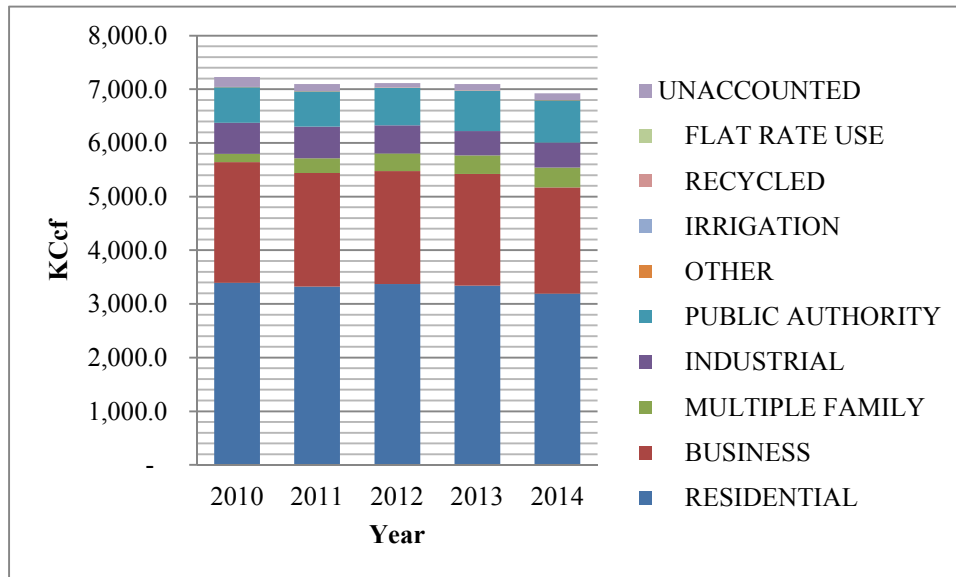
1 evapotranspiration in the ELA district averages 50 inches, which means that most
2 landscapes cannot survive on rainfall alone and must be irrigated.¹¹¹

3 **ORA's Analysis**

4 Concerning the Water Conservation Act of 2009 (SBX7-7), the ELA district in its 2014
5 usage has already exceeded its SBX7-7 2015 GPCD target by 28.6% or 27 GPCD. It also
6 has exceeded its SBX7-7 2020 GPCD target by 22.3% or 21 GPCD.

7 Customers in the ELA district are ahead of schedule in complying with the above targets
8 while having a conservation budget more in line with what ORA is recommending.

9 **Figure 4-H: East Los Angeles Annual Demand per Customer Type (Kccf)**



¹¹¹ Water Conservation Report: East Los Angeles, California Water Service Company, May, 2012.

1 As shown in Figure 4-H above, the ELA district is mostly composed of residential
2 customers' usage. In addition to public information, school education, administrative and
3 research activities, the Commission should require CWS to focus on the following
4 specific programs that are the most cost effective in the ELA district: MaP Premium
5 Toilet Rebate (residential and multifamily), MaP Premium Toilet Direct Install
6 (residential and multifamily), Showerhead/Aerator Kit Distribution (residential), Pop-up
7 Irrigation Nozzles, Home Water Use Reports, MaP Non-Premium Toilet Rebate
8 (commercial/business), Rotating Irrigation Nozzles (commercial/business), Large
9 Landscape Water Use Reports, and the Water Loss Control program. As a whole, the
10 focus is primarily towards the residential customers.

11 *i. Hermosa Redondo (HR)*

12 **Introduction**

13 CWS proposes a conservation budget of \$631,129 for Test Year 2017, for a total three-
14 year conservation budget of \$1,893,387 in the Hermosa Redondo district.

15 **Summary of Recommendations**

16 ORA recommends a budget of \$429,844 for Test Year 2017, for a total three-year
17 conservation budget of \$1,289,531.

18 **District Profile**

19 The HR district encompasses the cities of Hermosa Beach and Redondo Beach, and
20 approximately 5% of the City of Torrance. The HR district is bounded on the north by
21 the cities of Manhattan Beach and Lawndale, on the east by Gardena and Torrance, and
22 on the south by Palos Verdes Estates.

23 The HR district's population is approximately 95,605. CWS stated that in 2011, on
24 average, the HR district receives about 14 inches of rainfall annually, most of which falls
25 in the late autumn, winter, and early spring. The late spring, summer, and early autumn
26 months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in

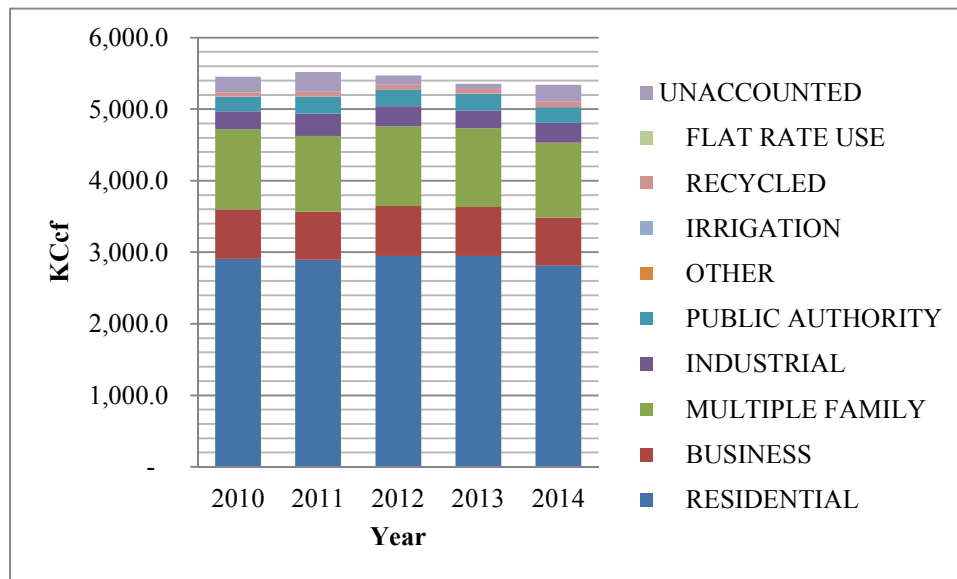
1 the HR district averages 47 inches, which means that most landscapes cannot survive on
2 rainfall alone and must be irrigated.¹¹²

3 **ORA's Analysis**

4 Concerning the Water Conservation Act of 2009 (SBX7-7), the HR district in its 2014
5 usage has already exceeded its SBX7-7 2015 GPCD target by 31.3% or 32 GPCD. It also
6 has exceeded its SBX7-7 2020 GPCD target by 24% or 25 GPCD.

7 Customers in the HR district are ahead of schedule in complying with the above targets
8 while having a conservation budget more in line with what ORA is recommending.

9 **Figure 4-I: Hermosa Redondo Annual Demand per Customer Type (Kccf)**



¹¹² Water Conservation Report: Hermosa Redondo, California Water Service Company, May, 2012.

1 As shown in Figure 4-I above, the HR district is mostly composed of residential
2 customers' usage. In addition to public information, school education, administrative and
3 research activities, the Commission should require CWS to focus on the following
4 specific programs that are the most cost effective in the HR district: MaP Premium
5 Toilet Rebate (residential and multifamily), MaP Premium Toilet Direct Install
6 (residential and multifamily), Showerhead/Aerator Kit Distribution (residential), Pop-up
7 Irrigation Nozzles, Home Water Use Reports, MaP Non-Premium Toilet Rebate
8 (commercial/business), Urinal Valve Replacement, Rotating Irrigation Nozzles
9 (commercial/business), Large Landscape Water Use Reports, and the Water Loss Control
10 program. As a whole, the focus is primarily towards the residential customers.

11 *j. King City (KC)*

12 **Introduction**

13 CWS proposes a conservation budget of \$49,566 for Test Year 2017, for a total three-
14 year conservation budget of \$148,698 in the King City district.

15 **Summary of Recommendations**

16 ORA recommends a budget of \$10,171 for Test Year 2017, for a total three-year
17 conservation budget of \$30,514.

18 **District Profile**

19 The KC district is located in southern Monterey County approximately 45 miles southeast
20 of the City of Salinas. The KC district's population is approximately 14,441. CWS stated
21 in 2011 that on average, the KC district receives about 11 inches of rainfall annually,

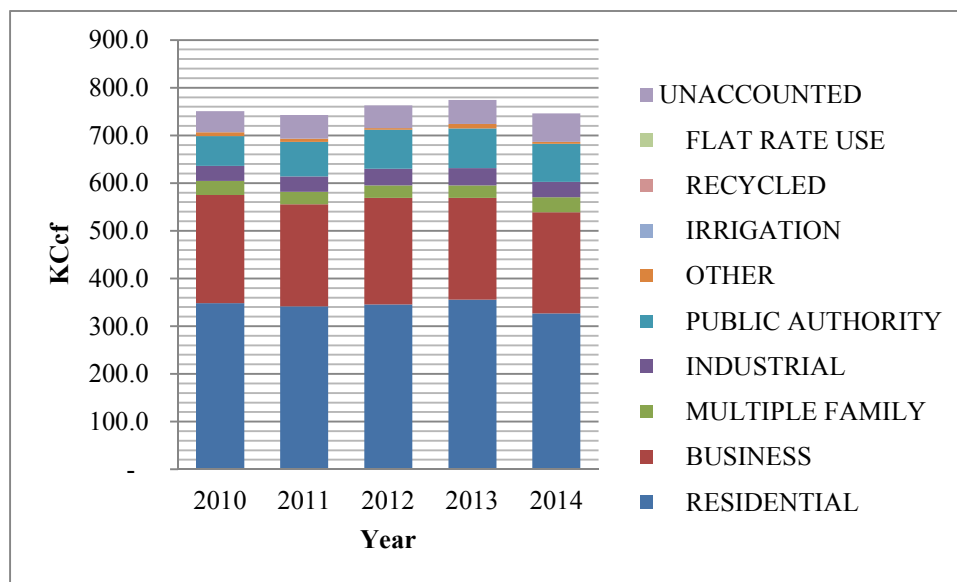
most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the KC district averages 53 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.¹¹³

ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the KC district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 31.6% or 33 GPCD. It also has exceeded its SBX7-7 2020 GPCD target by 17% or 18 GPCD.

Customers in the KC district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

Figure 4-J: King City Annual Demand per Customer Type (Kccf)



¹¹³ Water Conservation Report: King City, California Water Service Company, May, 2012.

1 As shown in Figure 4-J above, the KC district is mostly composed of residential
2 customers' usage. In addition to public information, school education, administrative and
3 research activities, the Commission should require CWS to focus on the following
4 specific programs that are the most cost effective in the KC district: MaP Premium
5 Toilet Rebate (residential and multifamily), Pop-up Irrigation Nozzles, Home Water Use
6 Reports, and Rotating Irrigation Nozzles (commercial/business). As a whole, the focus is
7 primarily towards the residential customers.

8 *k. Kern River Valley (KRV)*

9 **Introduction**

10 CWS proposes a conservation budget of \$43,994 for Test Year 2017, for a total three-
11 year conservation budget of \$131,982 in the Kern River Valley district.

12 **Summary of Recommendations**

13 ORA recommends a budget of \$37,654 for Test Year 2017, for a total three-year
14 conservation budget of \$112,961.

15 **District Profile**

16 The KRV district is comprised of nine separate water systems in the mountains east of
17 Bakersfield surrounding Isabella Lake. The KRV district is approximately 50 miles
18 northeast of the City of Bakersfield and serves the communities of Kernville, Wofford
19 Heights, Bodfish, Canyon Heights, Lakeland, Mountain Shadows, Onyx, Southlake, Split
20 Mountain, and Squirrel Mountain.

1 The KRV district's population is approximately 5,700. CWS stated that in 2011, on
2 average, the KRV district receives about 13 inches of rainfall annually, most of which
3 falls in the late autumn, winter, and early spring. The late spring, summer, and early
4 autumn months are generally dry. CWS also stated in 2011 that the annual
5 evapotranspiration in the KRV district averages 58 inches, which means that most
6 landscapes cannot survive on rainfall alone and must be irrigated.¹¹⁴

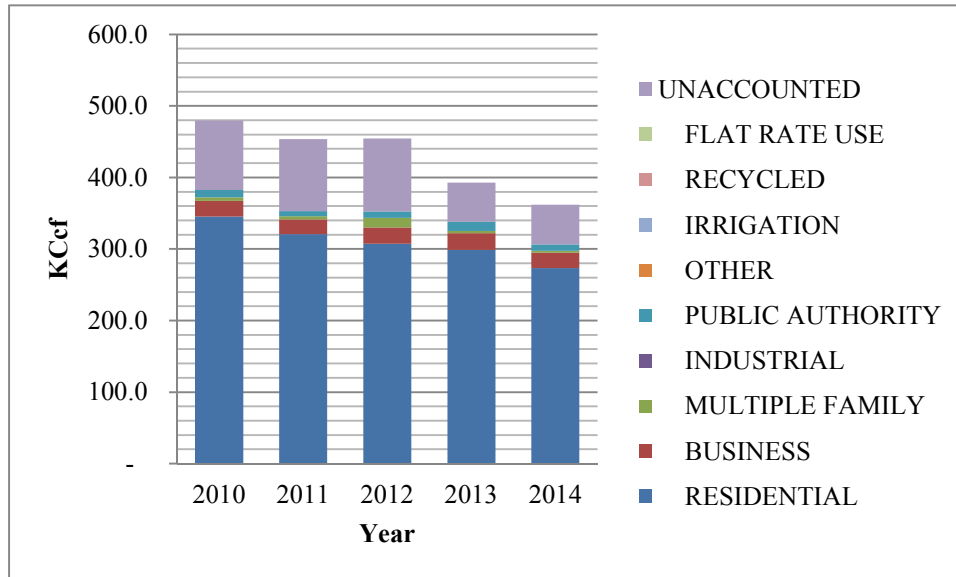
7 **ORA's Analysis**

8 Concerning the Water Conservation Act of 2009 (SBX7-7), the KRV district in its 2014
9 usage has already exceeded its SBX7-7 2015 GPCD target by 51% or 65 GPCD. It also
10 has exceeded its SBX7-7 2020 GPCD target by 40.6% or 52 GPCD.

11 Customers in the KRV district are ahead of schedule in complying with the above targets
12 while having a conservation budget more in line with what ORA is recommending.

¹¹⁴ Water Conservation Report: Kern River Valley, California Water Service Company, May, 2012.

Figure 4-K: Kern River Valley Annual Demand per Customer Type (Kccf)



As shown in Figure 4-K above, the KRV district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the KRV district: MaP Premium Toilet Rebate (residential), Showerhead/Aerator Kit Distribution, Smart Controllers Distribution (multifamily), Home Water Use Reports, Pop-up Irrigation Nozzles (multifamily and commercial/business), MaP Non-Premium Toilet Rebate (commercial/business), and the Water Loss Control program. As a whole, the focus is primarily towards the residential customers.

1. Los Altos (LA)

Introduction

CWS proposes a conservation budget of \$446,964 for Test Year 2017, for a total three-year conservation budget of \$1,340,892 in the Los Altos district.

Summary of Recommendations

ORA recommends a budget of \$261,137 for Test Year 2017, for a total three-year conservation budget of \$783,412.

District Profile

The LAS district is located in Santa Clara County approximately 45 miles south of San Francisco and 11 miles north of San Jose. The LAS district serves Los Altos and portions of Los Altos Hills, Mountain View, Sunnyvale, and Cupertino.

The LAS district's population is approximately 68,405. CWS stated that in 2011, on average, the district receives about 15 inches of rainfall annually, most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the LAS district averages 49 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.¹¹⁵

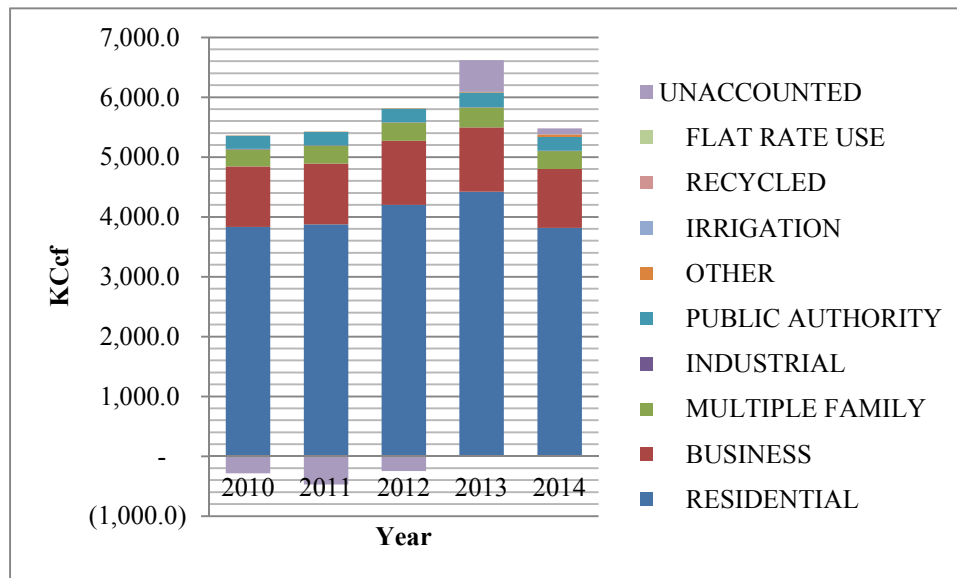
ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the LAS district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 21.2% or 36 GPCD. It also has exceeded its SBX7-7 2020 GPCD target by 7.7% or 13 GPCD.

Customers in the LAS district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

¹¹⁵ Water Conservation Report: Los Altos, California Water Service Company, May, 2012.

Figure 4-L: Los Altos Annual Demand per Customer Type (Kccf)



As shown in Figure 4-L above, the LAS district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the LAS district: MaP Premium Toilet Rebate (residential), MaP Premium Toilet Direct Install (residential and multifamily), Showerhead/Aerator Kit Distribution, Smart Controllers Rebate, Pop-up Irrigation Nozzles, Home Water Use Reports, Urinal Bowl Replacement Rebates, Rotating Irrigation Nozzles, and the Water Loss Control program. As a whole, the focus is primarily towards the residential customers.

m. Livermore (LIV)

Introduction

CWS proposes a conservation budget of \$494,711 for Test Year 2017, respectively, for a total three-year conservation budget of \$1,484,134 in the Livermore district.

Summary of Recommendations

ORA recommends a budget of \$313,958 for Test Year 2017, for a total three-year conservation budget of \$941,874.

1

2

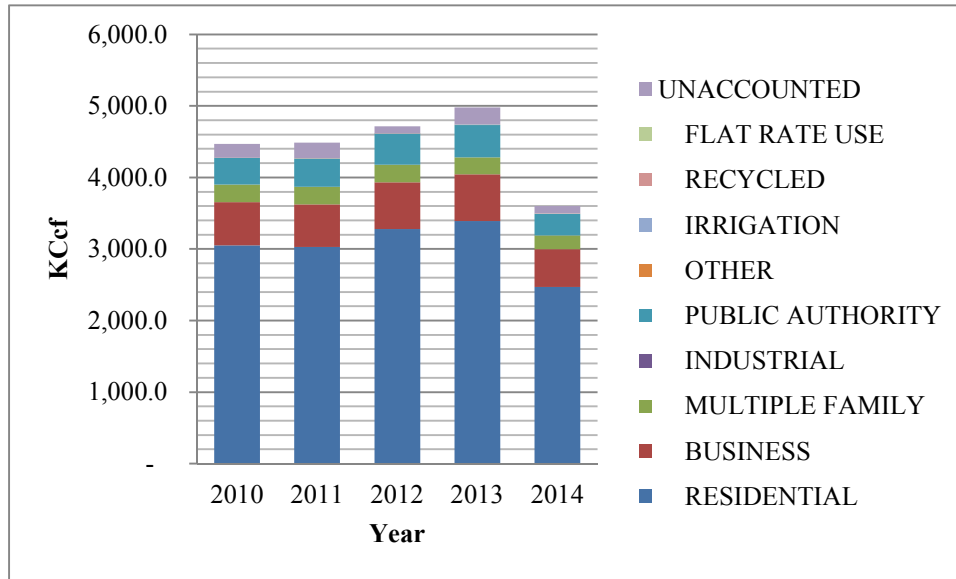
5

11

12

15

Figure 4-M: Livermore Annual Demand per Customer Type (Kccf)



As shown in Figure 4-M above, the LIV district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the LIV district: MaP Premium Toilet Rebate (residential and commercial/business), MaP Premium Toilet Direct Install (residential and multifamily), Showerhead/Aerator Kit Distribution, Smart Controllers Rebate, Pop-up Irrigation Nozzles, Home Water Use Reports, MaP Non-Premium Toilet Rebate (commercial/business), Urinal Valve Replacement, Rotating Irrigation Nozzles, Large Landscape Surveys, Large Landscape Water Use Reports, and the Water Loss Control program. As a whole, the focus is primarily towards the residential customers.

n. Marysville (MRL)

Introduction

CWS proposes a conservation budget of \$44,458 for Test Year 2017, for a total three-year conservation budget of \$133,374 in the Marysville district.

1 **Summary of Recommendations**

2 ORA recommends a budget of \$30,022 for Test Year 2017, for a total three-year
3 conservation budget of \$90,067.

4 **District Profile**

5 The MRL district is located in Yuba County. It is situated in the Sacramento River
6 hydrologic region. The MRL district is approximately 40 miles north of the City of
7 Sacramento.

8 The MRL district’s population is approximately 12,084. CWS stated that in 2011, on
9 average, the MRL district receives about 22 inches of rainfall annually, most of which
10 falls in the late autumn, winter, and early spring. The late spring, summer, and early
11 autumn months are generally dry. CWS also stated in 2011 that the annual
12 evapotranspiration in the MRL district averages 57 inches, which means that most
13 landscapes cannot survive on rainfall alone and must be irrigated.¹¹⁷

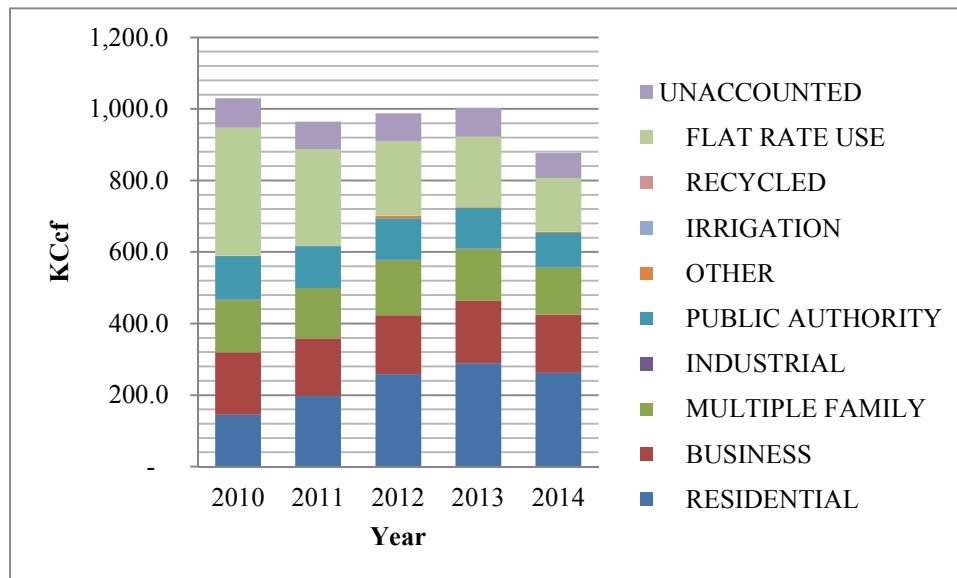
14 **ORA’s Analysis**

15 Concerning the Water Conservation Act of 2009 (SBX7-7), the MRL district in its 2014
16 usage has already exceeded its SBX7-7 2015 GPCD target by 52% or 77 GPCD. It also
17 has exceeded its SBX7-7 2020 GPCD target by 35.1% or 52 GPCD.

18 Customers in the MRL district are ahead of schedule in complying with the above targets
19 while having a conservation budget more in line with what ORA is recommending.

¹¹⁷ Water Conservation Report: Marysville, California Water Service Company, May, 2012.

Figure 4-N: Marysville Annual Demand per Customer Type (Kccf)



As shown in Figure 4-N above, the MRL district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the MRL district: Home Water Use Reports, MaP Premium Toilet Rebate (multifamily), and the Water Loss Control program. As a whole, the focus is primarily towards the residential customers.

o. Oroville (ORO)

Introduction

CWS proposes a conservation budget of \$49,120 for Test Year 2017, for a total three-year conservation budget of \$147,361 in the Oroville district.

Summary of Recommendations

ORA recommends a budget of \$31,416 for Test Year 2017, for a total three-year conservation budget of \$94,247.

1 **District Profile**

2 The ORO district is located in Butte County. The ORO district is approximately 60 miles
3 north of the City of Sacramento. The district serves about 75% of the City of Oroville as
4 well as adjacent parts of unincorporated Butte County.

5 The ORO district’s population is approximately 10,508. CWS stated that in 2011, on
6 average, the district receives about 28 inches of rainfall annually, most of which falls in
7 the late autumn, winter, and early spring. The late spring, summer, and early autumn
8 months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in
9 the ORO district averages 53 inches, which means that most landscapes cannot survive
10 on rainfall alone and must be irrigated.¹¹⁸

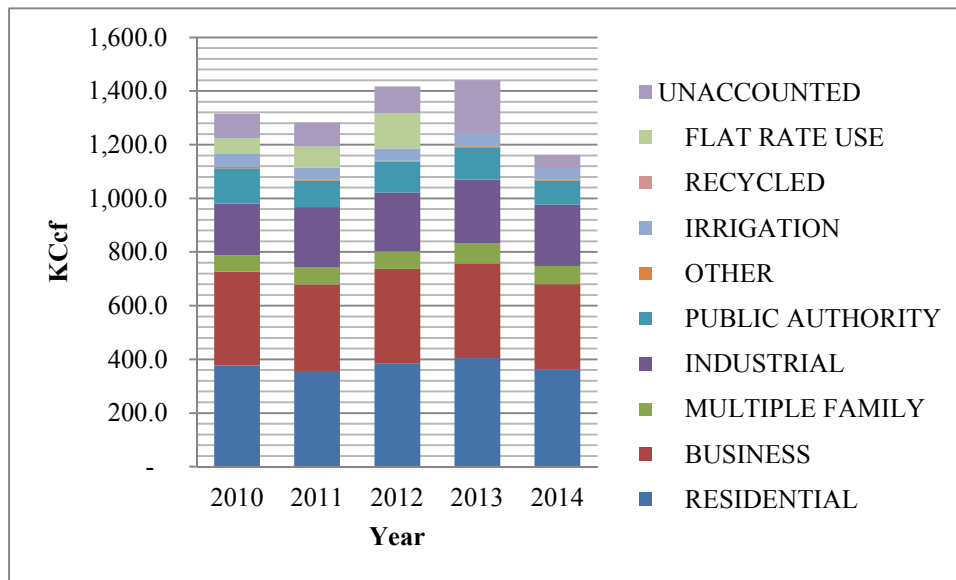
11 **ORA’s Analysis**

12 Concerning the Water Conservation Act of 2009 (SBX7-7), the ORO district in its 2014
13 usage has already exceeded its SBX7-7 2015 GPCD target by 37.3% or 80 GPCD. It also
14 has exceeded its SBX7-7 2020 GPCD target by 22.1% or 47 GPCD.

15 Customers in the ORO district are ahead of schedule in complying with the above targets
16 while having a conservation budget more in line with what ORA is recommending.

¹¹⁸ Water Conservation Report: Oroville, California Water Service Company, May, 2012.

Figure 4-O: Oroville Annual Demand per Customer Type (Kccf)



As shown in Figure 4-O above, the ORO district is mostly composed of residential/multifamily and business/industrial customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the ORO district: Home Water Use Reports, MaP Premium Toilet Rebate (multifamily), and the Water Loss Control program.

p. Palos Verdes (PV)

Introduction

CWS proposes a conservation budget of \$653,328 for Test Year 2017, for a total three-year conservation budget of \$1,959,985 in the Palos Verdes district.

Summary of Recommendations

ORA recommends a budget of \$487,909 for Test Year 2017, for a total three-year conservation budget of \$1,463,727.

District Profile

The PV district covers approximately 26 square miles, encompassing all the area incorporated by the cities of Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates, and Rolling Hills. The PV district is bordered on the north by the cities of Torrance and Lomita, on the east by San Pedro, and on the west and south by the Pacific Ocean.

The PV district's population is approximately 69,883. CWS stated that in 2011, on average, the district receives about 12 inches of rainfall annually, most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the PV district averages 39 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.¹¹⁹

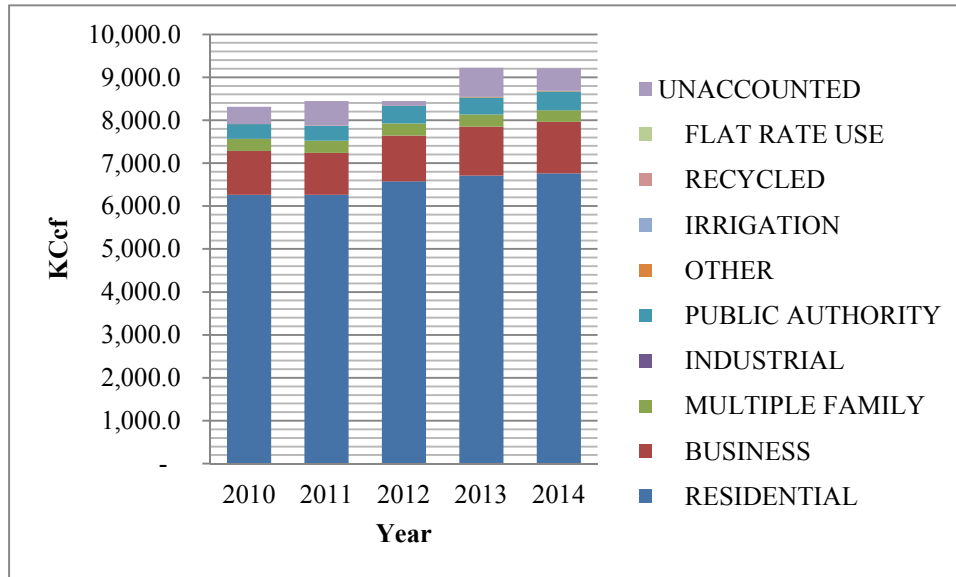
ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the PV district in its 2014 usage has not exceeded its SBX7-7 2015 GPCD target. It still needs 7% or 19 GPCD to reach it. The PV district has also not reached its SBX7-7 2020 GPCD target. It still needs 17.4% or 47 GPCD to reach it.

Customers in the PV district are not on schedule in complying with the above targets. CWS should focus on continuing to reduce its current GPCD levels while concentrating on the most cost effective conservation programs that target customer types that would have the greatest impact on reducing overall demand.

¹¹⁹ Water Conservation Report: Palos Verdes, California Water Service Company, May, 2012.

Figure 4-P: Palos Verdes Annual Demand per Customer Type (Kccf)



As shown in Figure 4-P above, the PV district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the PV district: MaP Premium Toilet Rebate (residential and multifamily), MaP Premium Toilet Direct Install (residential and multifamily), Showerhead/Aerator Kit Distribution (residential), Smart Controllers Rebate, Pop-up Irrigation Nozzles, Home Water Use Reports, MaP Non-Premium Toilet Rebate (commercial/business), Urinal Bowl Replacement Rebates, Rotating Irrigation Nozzles (commercial/business), Large Landscape Water Use Reports, and the Water Loss Control program.

q. Redwood Valley (RDV)

Introduction

CWS proposes a conservation budget of \$29,415 for Test Year 2017, for a total three-year conservation budget of \$88,246 in the Redwood Valley district.

Summary of Recommendations

ORA recommends a budget of \$14,159 for Test Year 2017, for a total three-year conservation budget of \$42,476.

District Profile

The RDV district is comprised of six separate service areas – Lucerne (LUC), Coast Springs (COS), and the Unified Area (UNI) of Hawkins, Armstrong, Noel Heights, and Rancho del Paradiso. The RDV district lies within Sonoma and Lake Counties, north of the City of San Francisco.

The RDV district's population is approximately 3,589. CWS stated that in 2011, on average, the RDV district receives about 35 inches of rainfall annually, most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the RDV district averages 44 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.¹²⁰

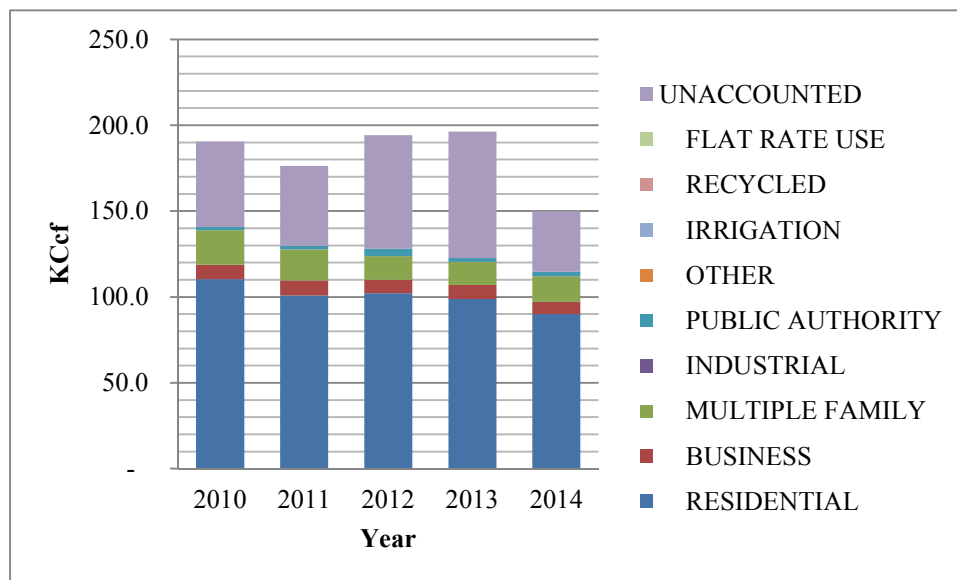
ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the RDV district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 94.3% or 78 GPCD. It also has exceeded its SBX7-7 2020 GPCD target by 85.9% or 71 GPCD.

Customers in the RDV district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

¹²⁰ Water Conservation Report: Redwood River Valley, California Water Service Company, May, 2012.

Figure 4-Q: Redwood Valley Annual Demand per Customer Type (Kccf)



As shown in Figure 4-Q above, the RDV district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the RDV district: MaP Premium Toilet Rebate (residential), Showerhead/Aerator Kit Distribution (residential), Home Water Use Reports, and the Water Loss Control. As a whole, the focus is primarily towards the residential customers.

r. Selma (SEL)

Introduction

CWS proposes a conservation budget of \$75,244 for Test Year 2017, for a total three-year conservation budget of \$225,733 in the Selma district.

Summary of Recommendations

ORA recommends a budget of \$60,147 for Test Year 2017, for a total three-year conservation budget of \$180,442.

1 **District Profile**

2 The SEL district is located in Fresno County. The SEL district is approximately 20 miles
3 southeast of the City of Fresno and 90 miles north of the City of Bakersfield. The SEL
4 district serves the City of Selma.

5 The SEL district's population is approximately 24,587. CWS stated that in 2011, on
6 average, the district receives about 11 inches of rainfall annually, most of which falls in
7 the late autumn, winter, and early spring. The late spring, summer, and early autumn
8 months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in
9 the SEL district averages 53 inches, which means that most landscapes cannot survive on
10 rainfall alone and must be irrigated.¹²¹

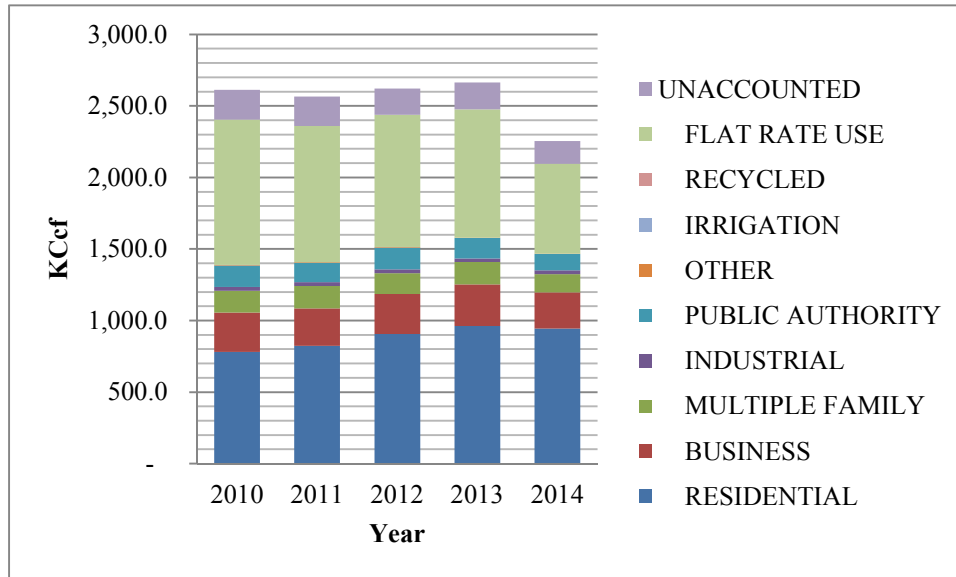
11 **ORA's Analysis**

12 Concerning the Water Conservation Act of 2009 (SBX7-7), the SEL district in its 2014
13 usage has already exceeded its SBX7-7 2015 GPCD target by 30.6% or 58 GPCD. It also
14 has exceeded its SBX7-7 2020 GPCD target by 16.1% or 30 GPCD.

15 Customers in the SEL district are ahead of schedule in complying with the above targets
16 while having a conservation budget more in line with what ORA is recommending.

¹²¹ Water Conservation Report: Selma, California Water Service Company, May, 2012.

Figure 4-R: Selma Annual Demand per Customer Type (Kccf)



As shown in Figure 4-R above, the SEL district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the SEL district: Home Water Use Reports, MaP Premium Toilet Rebate (multifamily), Smart Controllers Rebates (multifamily), and the Water Loss Control program. As a whole, the focus is primarily towards the residential customers.

s. Salinas (SLN)

Introduction

CWS proposes a conservation budget of \$625,406 for Test Year 2017, for a total three-year conservation budget of \$1,876,218 in the Salinas district.

Summary of Recommendations

ORA recommends a budget of \$307,269 for Test Year 2017, respectively, for a total three-year conservation budget of \$921,807.

District Profile

The SLN district is located in northern Monterey County approximately 15 miles northeast of the City of Monterey. The SNL district serves about 70% of the City of Salinas, as well as the unincorporated communities of Bolsa Knolls, Las Lomas, Oak Hills, Country Meadows, and Salinas Hills.

The SNL district's population is approximately 120,487. CWS stated that in 2011, on average, the SNL district receives about 15 inches of rainfall annually, most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the SNL district averages 39 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.¹²²

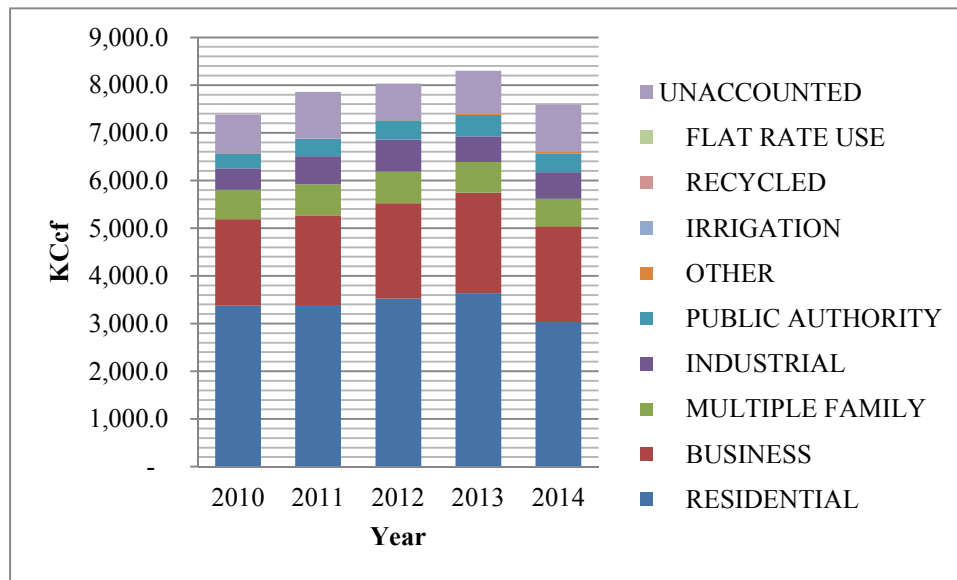
ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the SLN district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 4.6% or 6 GPCD. The district has not reached its SBX7-7 2020 GPCD target. It still needs 7% or 9 GPCD to reach it.

Customers in the SLN district are on schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending. Thus ORA does not foresee a risk of non-compliance as described in the ORA methodology section.

¹²² Water Conservation Report: Salinas, California Water Service Company, May, 2012.

Figure 4-S: Salinas Annual Demand per Customer Type (Kccf)



As shown in Figure 4-S above, the SLN district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the SLN district: MaP Premium Toilet Rebate (residential and multifamily), Pop-Up Irrigation Nozzles (all customer classes), Home Water Use Reports (residential), MaP Premium Toilet Direct Install (multifamily), Audits & Surveys (multifamily, MaP Non-Premium Toilet Rebate (commercial/business), and the Water Loss Control program. As a whole, the focus is primarily towards the residential customers.

t. Stockton (STK)

Introduction

CWS proposes a conservation budget of \$527,299 for Test Year 2017, for a total three-year conservation budget of \$1,581,897 in the Stockton district.

Summary of Recommendations

ORA recommends a budget of \$309,644 for Test Year 2017, for a total three-year conservation budget of \$928,933.

District Profile

CWS's STK district is located in San Joaquin County approximately 45 miles south of Sacramento and 62 miles east of San Francisco. The system serves portions of the City of Stockton and adjacent unincorporated San Joaquin County. The City of Stockton Water Department owns and operates water systems to the north, southwest, and southeast of CWS's Stockton district.

The STK district's population is approximately 135,923. CWS stated that in 2011, on average, the district receives about 14 inches of rainfall annually, most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the STK district averages 53 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.¹²³

ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the STK district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 29.4% or 40 GPCD. It also has exceeded its SBX7-7 2020 GPCD target by 23% or 31 GPCD.

Customers in the STK district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

¹²³ Water Conservation Report: Stockton, California Water Service Company, May, 2012.

Figure 4-T: Stockton Annual Demand per Customer Type (Kccf)



As shown in Figure 4-T above, the STK district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the STK district: MaP Premium Toilet Rebate (residential and multifamily), Pop-Up Irrigation Nozzles, Home Water Use Reports, Smart Controllers Rebates (multifamily), Rotating Irrigation Nozzles (commercial/business), and the Water Loss Control program. As a whole, the focus is primarily towards the residential customers.

u. Visalia (VIS)

Introduction

CWS proposes a conservation budget of \$634,421 for Test Year 2017, for a total three-year conservation budget of \$1,903,263 in the Visalia district.

Summary of Recommendations

ORA recommends a budget of \$394,313 for Test Year 2017, for a total three-year conservation budget of \$1,182,938.

District Profile

The VIS district is located in Tulare County, serving the City of Visalia and segments of unincorporated Tulare County including the community of Goshen. The VIS district lies approximately 42 miles southeast of the City of Fresno and 75 miles north of the City of Bakersfield.

The VIS district's population is approximately 135,923. CWS stated that in 2011, on average, the VIS district receives about 10 inches of rainfall annually, most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the VIS district averages 51 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.¹²⁴

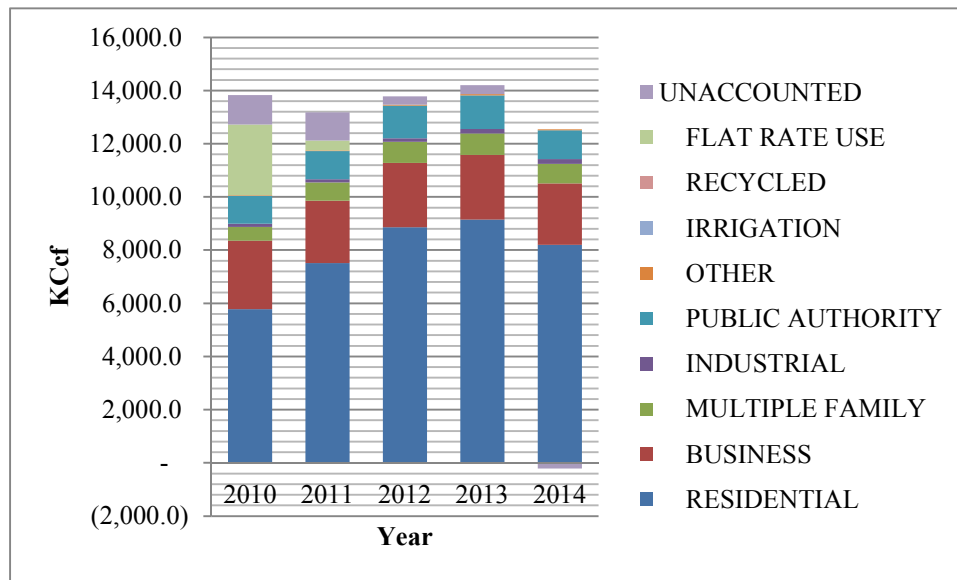
ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the VIS district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 14.1% or 27 GPCD. It also has exceeded its SBX7-7 2020 GPCD target by 1.4% or 3 GPCD.

Customers in the VIS district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

¹²⁴ Water Conservation Report: Visalia, California Water Service Company, May, 2012.

Figure 4-U: Visalia Annual Demand per Customer Type (Kccf)



As shown in Figure 4-U above, the VIS district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the VIS district: MaP Premium Toilet Rebate (residential and multifamily), Smart Controllers Rebate (residential and multifamily), Pop-Up Irrigation Nozzles, Home Water Use Reports, MaP Premium Toilet Direct Install (multifamily), Rotating Irrigation Nozzles (commercial/business), and the Water Loss Control program. As a whole, the focus is primarily towards the residential customers.

v. Willows (WIL)

Introduction

CWS proposes a conservation budget of \$41,851 for Test Year 2017, for a total three-year conservation budget of \$125,552 in the Willows district.

Summary of Recommendations

ORA recommends a budget of \$11,487 for Test Year 2017, for a total three-year conservation budget of \$34,462.

District Profile

The WIL district is located in the Sacramento Valley about 10 miles west of the Sacramento River. CWS's service area comprises the City of Willows and adjacent unincorporated territory in Glenn County.

The WIL district's population is approximately 7,045. CWS stated that in 2011, on average, the WIL district receives about 18 inches of rainfall annually, most of which falls in the late autumn, winter, and early spring. The late spring, summer, and early autumn months are generally dry. CWS also stated in 2011 that the annual evapotranspiration in the WIL district averages 53 inches, which means that most landscapes cannot survive on rainfall alone and must be irrigated.¹²⁵

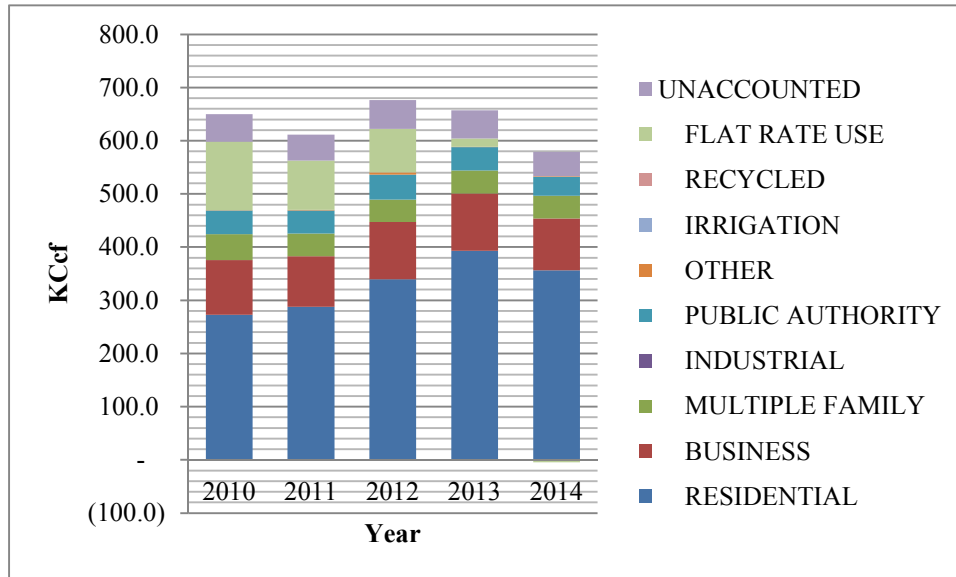
ORA's Analysis

Concerning the Water Conservation Act of 2009 (SBX7-7), the WIL district in its 2014 usage has already exceeded its SBX7-7 2015 GPCD target by 35.6% or 59 GPCD. It also has exceeded its SBX7-7 2020 GPCD target by 20.5% or 34 GPCD.

Customers in the WIL district are ahead of schedule in complying with the above targets while having a conservation budget more in line with what ORA is recommending.

¹²⁵ Water Conservation Report: Willows, California Water Service Company, May, 2012.

Figure 4-V: Willows Annual Demand per Customer Type (Kccf)



As shown in Figure 4-V above, the WIL district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the WIL district: MaP Premium Toilet Rebate (residential and multifamily), Smart Controllers Rebates (residential and multifamily), Pop-Up Irrigation Nozzles (residential and commercial/business), Home Water Use Reports, and the Rotating Irrigation Nozzles (commercial/business) program. As a whole, the focus is primarily towards the residential customers.

w. Westlake (WLK)

Introduction

CWS proposes a conservation budget of \$444,267 for Test Year 2017, for a total three-year conservation budget of \$1,332,802 in the Westlake district.

Summary of Recommendations

ORA recommends a budget of \$146,158 for Test Year 2017, for a total three-year conservation budget of \$438,474.

1 **District Profile**

2 The WLK district is located in the eastern section of Ventura County within the City of
3 Thousand Oaks. The service area lies approximately 40 miles northwest of Los Angeles.

4 The WLK district’s population is approximately 19,451. CWS stated that in 2011, on
5 average, the WLK district receives about 17 inches of rainfall annually, most of which
6 falls in the late autumn, winter, and early spring. The late spring, summer, and early
7 autumn months are generally dry. CWS also stated in 2011 that the annual
8 evapotranspiration in the WLK district averages 46 inches, which means that most
9 landscapes cannot survive on rainfall alone and must be irrigated.¹²⁶

10 **ORA’s Analysis**

11 Concerning the Water Conservation Act of 2009 (SBX7-7), the WLK district in its 2014
12 usage has already exceeded its SBX7-7 2015 GPCD target by 12.3% or 46 GPCD. The
13 district has not reached its SBX7-7 2020 GPCD target. It still needs 0.2% or 1 GPCD to
14 reach it.

15 Customers in the WLK district are ahead of schedule in complying with the above targets
16 while having a conservation budget more in line with what ORA is recommending.

¹²⁶ Water Conservation Report: Westlake, California Water Service Company, May, 2012.

Figure 4-W: Westlake Annual Demand per Customer Type (Kccf)



As shown in Figure 4-W above, the WLK district is mostly composed of residential customers' usage. In addition to public information, school education, administrative and research activities, the Commission should require CWS to focus on the following specific programs that are the most cost effective in the WLK district: MaP Premium Toilet Rebate (residential and multifamily), MaP Premium Toilet Direct Install (residential and multifamily), Showerhead/Aerator Kit Distribution (residential), Smart Controllers Rebate, Pop-up Irrigation Nozzles, Home Water Use Reports, MaP Non-Premium Toilet Rebate (commercial/business), Urinal Bowl Replacement Rebates, Rotating Irrigation Nozzles (commercial/business), Large Landscape Surveys, Large Landscape Water Use Reports, and the Water Loss Control program.

E. CONCLUSION

Most districts are complying with the SBX7-7 GPCD targets. CWS should maintain a cost effective conservation program in each district, to try to cultivate conservation behavior among customers. Despite the drought, CWS does not need to increase conservation expenditures at the level that they are requesting in this GRC. CWS needs to focus on the most cost effective programs at the levels that ORA has recommended

- 1 since most districts are complying with the SBX7-7 GPCD targets. Therefore, ORA
- 2 recommends that the Commission adopt ORA's recommendations.

1 **CHAPTER 5: SPECIAL REQUEST #18 TEMPORARY METERED**
2 **SERVICE TARIFF**

3 **A. INTRODUCTION**

4 California Water Service (“CWS”) requests Commission authority to establish a
5 Temporary Metered Service Tariff to establish a standardized practice across all of its
6 districts for provision of temporary activities including construction.

7 Where a temporary or construction meter is required, CWS would require a deposit of
8 \$1,600 for a construction meter with a Reduced Pressure (“RP”) or backflow prevention
9 assembly (“BPA”). CWS’s monthly quantity rates and service charges applicable to Non-
10 residential Metered Services will apply. In the case where Non-residential Meter Service
11 Schedule does not exist, General Metered Service will apply.

12 **B. SUMMARY OF RECOMMENDATIONS**

13 ORA reviewed and recommends the Commission allow this request.

14 **C. DISCUSSION**

15 CWS’s individual districts currently provide temporary service through the use of
16 construction meters with and without RP backflow assemblies. Deposit amounts vary
17 amongst the districts ranging from \$900 for a construction meter and \$1,500 - \$2,000 for
18 a construction meter with RP. Those districts that have collected temporary meter
19 deposits over the last five years (2010 – 2014) averaged from a low of 3 deposits per year

1 to a high of 53 deposits per year. In that same period a total of 21 meter deposits have
2 been forfeited by the customer due to failure to return the equipment.¹²⁷

3 Under the proposed Temporary Metered Service Tariff, CWS will standardize provision
4 of service to temporary and construction activities across all of its districts. The proposed
5 tariff required that the construction meter will be equipped with a RP or BPA to protect
6 the water system. The proposed deposit amount of \$1,600 is refundable upon return of
7 the meter, less the cost of any repairs other than those due to normal depreciation. Should
8 the meter be lost, stolen, or damaged beyond repair, the entire deposit will be forfeited by
9 the customer.

10 CWS's proposed deposit amount is based on the cost of the equipment (hydrant meter
11 (\$668) plus hydrant backflow preventer (\$641), plus 21% overhead.

12 **D. CONCLUSION**

13 ORA recommends that the Commission allow CWS's request. Standardization of
14 provision of temporary metered service across all of CWS's districts will benefit both the
15 company and its customers by providing a consistent practice for employees to follow in
16 fulfilling requests for temporary metered service, and customers will be afforded a
17 standard service across all districts.

18 There is no revenue impact associated with CWS's request since the deposit is refundable
19 or will be retained to cover loss or repair costs.

¹²⁷ CWS response to ORA data request PXS 003, Q. 6.

1 **CHAPTER 6: SPECIAL REQUEST #21 Rule 15 (MAIN**
2 **EXTENSIONS) CLARIFICATIONS**

3 **A. INTRODUCTION**

4 California Water Service (“CWS”) seeks authority to revise language in its tariff Rule 15
5 Main Extensions. According to CWS, it seeks to clarify confusing sections that are
6 contradictory, remove inconsistencies, and close what CWS terms as “loopholes” ¹²⁸.
7 CWS also seeks to make more substantive changes to other sections of the Rule.

8 **B. SUMMARY OF RECOMMENDATIONS**

9 ORA recommends that the Commission deny CWS’s request because the General Rate
10 Case is an inappropriate vehicle to change, update, or alter provisions of Rule 15 that
11 were authorized in a prior Commission decision, affecting all water utilities under
12 Commission authority.

13 **C. DISCUSSION**

14 CWS contends that Rule 15, as currently written, is full of ambiguous and confusing
15 statements requiring clarification and interpretation to clear up customer confusion. CWS
16 has provided no examples supporting its contention that customers are confused by the
17 requirements of, or language included in Rule 15.

18 In its request, CWS seeks to edit Section A. (1) (b) Applicability, and make more
19 substantive changes to the following sections;

¹²⁸ Direct Testimony of California Water Service Company, Chapter 2, p 201, Loophole for small extensions.

- 1 ○ Section A. (4) (e) sub-section (1) requiring adherence to specific conservation
- 2 provisions of local building codes and ordinances,
- 3 ○ Section A. (5) (a) which sets forth the requirement that upon request by a
- 4 potential applicant for a main extension of 100 feet or less, the utility shall
- 5 prepare, without charge, a preliminary sketch and rough estimate of the cost of
- 6 installation to be advanced by the applicant, and
- 7 ○ Section E. Income Tax Component of Contributions and Advances Provision.

8 The existing provisions of utility tariff Rule 15 were last updated and adopted by the
9 Commission in Decision 91-04-068, and are applicable to all water utilities under
10 Commission authority. If granted in this proceeding, CWS's request would allow the
11 company to deviate from the established Rule while all other water utilities would remain
12 bound by the original provisions of Rule 15.

13 Because Rule 15 was adopted by the Commission in a formal proceeding the avenue
14 available to CWS to modify, edit, or update the Rule is to petition to modify D.91-04-
15 068. According to Public Utilities Code §1708, "The commission may at any time, upon
16 notice to the parties, and with opportunity to be heard as provided in the case of
17 complaints, rescind, alter, or amend any order or decision made by it. Any order
18 rescinding, altering, or amending a prior order or decision shall, when served upon the
19 parties, have the same effect as an original order or decision." In §1708.5 (a) "The
20 commission shall permit interested persons to petition the commission to adopt, amend,
21 or repeal a regulation."

22 **D. CONCLUSION**

23 Because the GRC is an inappropriate vehicle to request change or modification to a Rule
24 or regulation established by a prior decision, ORA recommends that the Commission
25 deny CWS's Special Request No. 21 and advise the company to pursue its request in an
26 appropriate proceeding.